ANNUAL REPORT 1999

OPENING NEW HORIZONS

BANK MANDIRI

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ABOUT BANK MANDIRI

AS A KEY STEP IN THE RESTRUCTURING AND RECAPITALIZATION OF THE INDONESIAN BANKING SECTOR, ON 31 JULY 1999, THE LEGAL MERGER OF BANK BUMI DAYA, BANK DAGANG NEGARA, BANK EKSPOR IMPOR INDONESIA AND BANK PEMBANGUNAN INDONESIA INTO BANK MANDIRI WAS EFFECTED. FOLLOWING THIS MERGER, BANK MANDIRI BECAME THE LARGEST BANK IN INDONESIA WITH AROUND 30% SHARE OF THE MARKET, MAKING IT A PILLAR OF INDONESIAN BANKING. RESTRUCTURING HAD BEEN UNDERTAKEN IN EACH OF THE FOUR LEGACY BANKS PRIOR TO THE LEGAL MERGER AND CONTINUED THROUGHOUT 1999. BANK MANDIRI HAD ALSO BEEN FULLY RECAPITALIZED BY DECEMBER 1999, AND BEGAN TO EARN PROFIT IN THE BEGINNING OF 2000.

IN LINE WITH THE RENEWED HOPE AND SPIRIT THAT ARE SWEEPING ACROSS INDONESIA FOR A BETTER FUTURE, THE MANAGEMENT AND STAFF OF BANK MANDIRI DEDICATE THEMSELVES TO MAKING BANK MANDIRI INTO A HIGHLY PROFESSIONAL, PREFERRED AND TRUSTWORTHY BANK.

BUSINESS HIGHLIGHTS

In millions of Rupiah, except stated otherwise	2000	1999
	3-month period to March, 31 (Unaudited)	(Audited)
BALANCE SHEET		
Total Assets	217,277,094 **	224,646,943
Earning Assets (including off-balance sheet accounts)	234,237,659	239,348,817
Loans	44,615,404	44,022,662
Loan Loss Allowance	(22,822,202)	(22,131,786)
Total Deposits	148,681,716	148,005,573
Total Liabilities	209,872,466	217,703,422
Equity	7,404,628	6,943,521
INCOME STATEMENT		
Net Interest Income	1,683,838	(21,764,575)
Non Interest Income (Fee-based)	310,916	3,747,642
Operating Income	1,994,754	(18,016,933)
Operating Expenses	776,907	12,556,696
Provisions for Earning Assets Losses	712,000	36,301,666
Profit (Loss) Before Tax	656,187	(68,155,446)
Profit (Loss) After Tax After Minority Interest	461,177	(68,155,361)
KEY FINANCIAL RATIOS		
Return on Assets (ROA) - After Tax	0.83%	NA
Return on Assets (ROA) - Pre Tax	1.19%	NA
Return on Equity (ROE) - After Tax	25.71%	NA
Net Interest Margin	2.84%	NA
Non Interest Income to Operating Income	15.59%	NA
Operating Expenses to Operating Income	38.95%	NA
Operating Expenses to Total Assets	1.41%	3.70%
Equity to Total Assets	3.41%	3.09%
Capital Adequacy Ratio (CAR)	13.64%	12.02%
Number of Employees	19,613	19,606
Number of Branch Offices	623	658

Note : NA = Not Available

LEADING THE MARKET

FOLLOWING THE LEGAL MERGER OF BANK BUMI DAYA, BANK DAGANG NEGARA, BANK EKSPOR IMPOR INDONESIA, BANK PEMBANGUNAN INDONESIA ("THE LEGACY BANKS") INTO BANK MANDIRI IN JULY 1999, BANK MANDIRI HAS BECOME THE LEADING BANK IN INDONESIA WITH APPROXIMATELY 30% OF THE MARKET SHARE.

"FIRST FROM THE STARTING BLOCK"

The foundations on which Bank Mandiri will evolve into a sound and profitable bank have been laid down following an intense and complex restructuring program from October 1998 leading to the legal merger in July 1999. These foundations include a new management team; an effective organizational structure reflecting international best practice, good corporate governance and prudent banking. Full banking operations have also been in progress, including Credit Restructuring, Risk Management, Treasury, Business Development and Head Office Support.

In addition, Bank Mandiri has developed a blueprint for a more effective and efficient branch banking operations that have been reorganized in a hub-and-spoke concept.

A downsizing program was carried out, in which 6,991 personnel, representing 26.3% of Bank Mandiri total employees had chosen to join the Voluntary Separation Scheme (VSS) program as at year end 1999. At the same time a fair and objective selection and recruitment process insured that Bank Mandiri retained the best personnel which met the requirements of Bank Mandiri.

Through all this, Bank Mandiri is poised for growth beginning in the year 2000.

OCT 1998
Establishment of Bank Mandiri

Bank Mandiri was established on October 2, 1998, with paid-in capital consisting of the shares of the Legacy Banks held by the Government of Indonesia, and additional cash payment by the Government based on Government Regulation *(PP)* No. 75/98.

Bank Bumi Daya, Bank Dagang Negara, Bank Ekspor Impor Indonesia and Bank Pembangunan Indonesia became subsidiary companies of Bank Mandiri.

DEC 1998
Appointment of New Management

In December 1998, the Government appointed new members of the Board of Commissioners and the Board of Directors of Bank Mandiri and the four Legacy Banks, comprising of career bankers from private and state-owned banks.

FEB 1999
Selection of Personnel & VSS Program

In February 1999, the four Legacy Banks announced a Voluntary Separation Scheme (VSS) program and, at the same time, Bank Mandiri outlined a fair, transparent and objective selection process to employees of the four Legacy Banks.

Employees responded positively to both offers which led to the ideal conditions for Bank Mandiri to work out its downsizing and personnel selection process effectively, without negative reactions from the employees or the general community.

MAR - APR 1999
Integration of Key Banking Operations

By this time, most of the functions of Corporate Banking, Treasury and Credit Risk Management of the four Legacy Banks have been integrated at Bank Mandiri.

MAY - JUN 1999
Pace of Merger Intensified

- Bank Mandiri took steps to expedite the legal merger by undertaking a general shareholders' meeting, public announcements and others.
- Bank Mandiri conducted roadshows in Hong Kong, Singapore and London, presenting its merger process to more than 210 international creditors.
- Bank Mandiri reduced the number of its overseas branches and completed the blueprint for the rationalization of its domestic branch network.

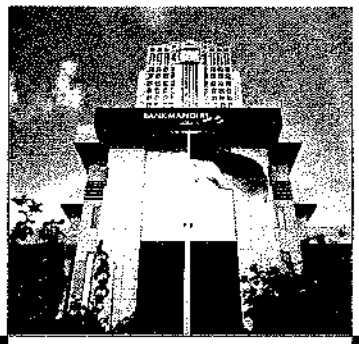
MERGER MILESTONES

JUL 1999
LEGAL MERGER

- On July 31, 1999, Bank Bumi Daya, Bank Dagang Negara, Bank Ekspor Impor Indonesia and Bank Pembangunan Indonesia were legally merged into Bank Mandiri.
- Integration of information technology systems was accomplished for Treasury as well as the determination of application system for Retail Banking and Delivery System.
- Rearrangement of the Bank's management in the form of Executive Management.
- Bank Mandiri introduced a new corporate identity which was uniformly applied throughout its branch network.
- Integration of Risk Management, Corporate Banking and Treasury.
- Integration of reporting to the financial authorities.

AUG 1999
RESTRUCTURING OF LOAN ASSETS

Following the legal merger, Bank Mandiri intensified its loan restructuring efforts with debtors to improve the quality of its loan portfolios.



OCT 1999
FIRST TRANCHE RECAPITALIZATION

- Bank Mandiri received IDR 103 trillion of government bonds on its first tranche recapitalization.
- Initial phase of branch restructuring commenced.
- Integration of operations on the basis of the hub-and-spoke concept was initially implemented at the Jatinegara branch.
- Bank Mandiri formed the team for branch roll-out.

DEC 1999
ENDING THE YEAR ON POSITIVE CAR

- Bank Mandiri received IDR 75 trillion of government bonds on its second and final tranche of recapitalization for a total of IDR 178 trillion.
- At year's end, Bank Mandiri had a total of IDR 44.0 trillion in outstanding loans, IDR 148.0 trillion in third party deposits and IDR 18.9 trillion in restructured loans.
- Bank Mandiri covered its Net Open Position using hedge bonds issued by the Government.
- Bank Mandiri improved its liquidity through the forward purchase of Government bonds.

YEAR 2000
BOOKING PROFIT IN FIRST QUARTER 2000

- Bank Mandiri began the year 2000 on a solid growth foundation, achieving consolidated net income of IDR 461 billion in the first quarter of the year.
- Going forward, Bank Mandiri expects to achieve a healthy growth.

A MESSAGE FROM THE CHAIRMAN AND THE PRESIDENT DIRECTOR

In 1999, we began the year determined to achieve the legal merger of our four Legacy Banks into Bank Mandiri by June of the year, a full year ahead of the mandate of the Government of Indonesia. We achieved our target on the 31st of July 1999, establishing Bank Mandiri as the largest Bank in Indonesia today.

Before and after the legal merger, the process of integration among the four banks continued at an aggressive pace. By year's end, Bank Mandiri had virtually completed its personnel selection and recruitment process, introduced a new brand identity, embraced new vision and mission goals, developed compliance standards for good corporate governance and streamlined its branch network to a more effective and manageable number. More importantly, we have made significant progress in the restructuring of our assets that was the prerequisite for our recapitalization by the Government of Indonesia.

The mandate was for Bank Mandiri to first restructure most of the assets of the four Legacy Banks before the Government would undertake the recapitalization of the Bank. In 1999, we met this condition by restructuring over Rp 18.9 trillion of non-performing loans and transferring Rp 76.32 trillion of bad debts to the Indonesian Bank Restructuring Agency (IBRA) at zero value after full provisioning.

ROBBY DJOHAN
PRESIDENT DIRECTOR

BINHADI
CHAIRMAN

In the recapitalization of Bank Mandiri, the Government issued Rp 103 trillion of bonds in October 1999. This was followed with an additional Rp 75 trillion of bonds in December 1999 representing the second and final tranche of our recapitalization.

The recapitalization of Bank Mandiri raised our capital adequacy ratio to 12.02% as at year-end 1999 on the strength of our Tier-II capital which was raised as a result of the recapitalization.

Meanwhile, our restructured earning assets have provided us with an adequate revenue base to resume our growth. This was evident from our first quarter 2000 results which showed a net profit of Rp 461 billion. We expect our financial results to improve even more for the rest of 2000, as we continue to make progress in our restructuring, integration, consolidation, special assets management and business development.

It is important to note that our positive results were not due to our recapitalization or assets restructuring alone. These results were largely the outcome of our new vision, and our new approach to banking. Bank Mandiri continues to be transformed into a more dynamic, market-driven organization that is equipped to compete globally. We are raising the level and quality of our services to meet the standards of international banking.

Through these measures, and our successful undertaking of an extremely complex merger process, Bank Mandiri became the first recapitalized bank in Indonesia to post a substantial net profit going into the year 2000.

Bank Mandiri was quick to move from the starting block, securing an early lead in the market.

With a total assets of Rp 217.27 trillion as at March 31, 2000, Bank Mandiri is by far the largest bank in Indonesia today, serving our customers from more than 600 branch offices across the country.

Recapitalization, loans restructuring and a new corporate culture have enabled Bank Mandiri to achieve a substantial profit in the first quarter of 2000.

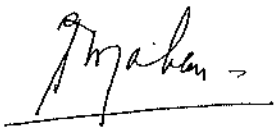
We have taken every efforts to ensure that the merging of Bank Bumi Daya, Bank Dagang Negara, Bank Ekspor Impor Indonesia and Bank Pembangunan Indonesia into Bank Mandiri is carried out smoothly and successfully.

To highlight our progress, we have also presented our financial results up to the first quarter of 2000 in this annual report.

We wish to thank all those who have helped us through the merger, and all of our employees for their support and commitment to the progress of Bank Mandiri. Together we have helped shape the future of banking in Indonesia that is Bank Mandiri, "The Trusted and Preferred Bank".

Jakarta, May 2000

BINHADI
CHAIRMAN



ROBBY DJOHAN
PRESIDENT DIRECTOR

AN ACTIVE SUPERVISION

The founding of Bank Mandiri has strategic implications to the continuity of the Indonesian banking sector which has suffered from a lack of trust ever since the Asian financial crisis began in 1997. Should efforts to merge the four Legacy Banks into Bank Mandiri fail, one can imagine the repercussions that such a failure may have on the bank restructuring efforts that are currently undertaken by the Government of Indonesia. As such, Bank Mandiri has to succeed almost at all cost.

Fully aware of this condition, the Board of Commissioners of Bank Mandiri, as proxy of the Government which holds 100% stake in the Bank has made its intention very clear from the start. The Board of Commissioners will play an active supervision role over the management and development of Bank Mandiri. In their capacity as advisors, members of the Board of Commissioners are also present in key management meetings and day-to-day activities that involved the merger. The Board of Commissioners itself convenes regularly at least once a week to consider or approve key management decisions.

During the initial formation of Bank Mandiri, the Board was actively involved in setting up Bank Mandiri from the merger of the four Legacy Banks. One of the most complex and time-consuming undertakings in this process at the time was the restructuring of non-performing loans of the four Legacy Banks.

In addition to credit restructuring, the Board of Commissioners also paid close attention to other critical issues. Two such issues were human resources and information technology. This is in line with both the vision and

Members of the Board of Commissioners, Secretary of the Board of Commissioners and the Audit Committee
From left to right :
Seated : **Binhadi, Soedarjono**
Standing : **Zulkifli Djaelani, Sabana Kartasasmita, Soejatna Soenoesoebrata, Gatot Mardiwasisto, Markus Parmadi.**

mission of Bank Mandiri which aims to be the 'Trusted and Preferred Bank' with a service quality of world-class standard. The Board of Commissioners gave recommendations on the development of human resources and training program which are now carried out at Bank Mandiri in depth, in addition to efforts of instilling work ethics and discipline among employees. This is achieved among other things through the issuance of an employee manual book which provided the guidelines on personnel codes and conducts at Bank Mandiri.

In information technology, Bank Mandiri is faced with the considerable challenge of integrating nine different information systems of the four Legacy Banks into a single integrated system. This is currently being undertaken with best efforts, the process of which will be phased in gradually towards completion by the year 2002.

Another key area of interest of the Board of Commissioners is the assignment of the Audit Committee which, together with the Compliance Directorate, are responsible for ensuring that the management and operations of Bank Mandiri are fully in line with the Bank's Articles of Association as well as its standard operating policy and procedure. In addition, the Board of Commissioners ensures that the Audit Committee performs credibly to improve the general quality of internal audits within Bank Mandiri; that these audits are carried out reliably in all critical areas. In 1999, Bank Mandiri received an ISO 9000 certificate for its internal audit process, testifying to Bank Mandiri's comprehensive efforts at internal audits.

AN INTERVIEW WITH THE MANAGEMENT

The legal merger of the four Legacy Banks into Bank Mandiri took place on July 31, 1999, nine months after the founding of Bank Mandiri in October 1998. This was well ahead of the schedule stated in the Letter of Intent of the Government of Indonesia to the International Monetary Fund which gave a time table of one-and-a-half year for the Bank Mandiri merger.

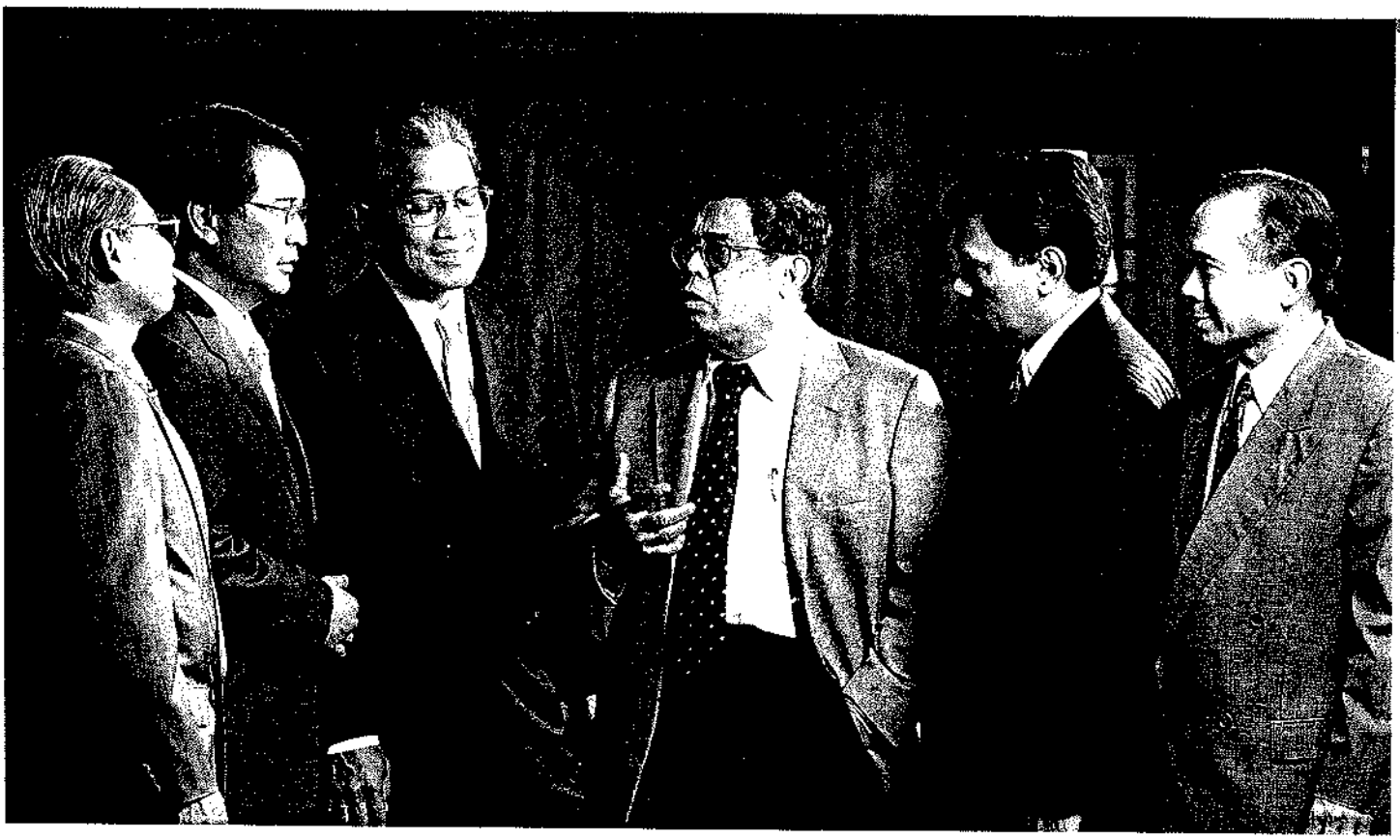
Q: Why was the legal merger moved forward?

A: We feel that once we have established a legal basis for our merger, then everything else would follow or fall in place more quickly than we would otherwise have achieved. It must be remembered that no merger of this size and scope had ever taken place anywhere in the world, and under extremely stressful conditions that were brought by the virtual collapse of the Indonesian economy due to the Asian financial crisis. A lot of people were understandably confused and simply terrified of the prospects of change. The Management feels that it will be in the best interest of Bank Mandiri and the Government of Indonesia as our shareholder to move our merger schedule forward.

Q: Was integration achieved at the time of the legal merger?

A: The legal merger gave us the legal platform to move ahead with our merger process more quickly and at times much more conveniently. But we think that the post-merger integration itself will probably take another two to three years to complete.

Nevertheless, we are encouraged by the pace of our progress. At the time of our legal merger, we have achieved 100% integration in our Corporate Banking, Treasury and Credit Risk Management. We are well ahead with our integration in other areas including Technology,



Branch Banking, Accounting and Financial Controlling and Back Office Operations. We will likely need considerable more time for the integration of our corporate culture, although we are confident that Bank Mandiri will exude its own corporate culture in due time.

Q: How does your culture differ from those of the four Legacy Banks?
A: To begin with, we have to be more market driven, more profit oriented, more responsive to customer needs, and more innovative in our business approach if we are to compete successfully against the performance of leading international banks in the Indonesian market. This was not always the case with the four Legacy Banks which has grown accustomed to being "agent of development" for state projects as opposed to being a purely market oriented franchise. Bank Mandiri has to be different from its four Legacy Banks, because it is what the customer and the market expect of us today and in the future.

Q: How is Bank Mandiri adapting to this new culture?
A: A lot of people, including former employees and customers of the four Legacy Banks who are now with Bank Mandiri, will tell you that Bank Mandiri is different from any of the four Legacy Banks. For instance, we are taking our business and services to our customers. The Bank's Management are doing roadshows in all provinces throughout Indonesia, talking with branch personnels and meeting face to face with regional customers.

We were told by some of these customers that they had been clients of one or more of Bank Mandiri's Legacy Banks for as long as they were in business but had never received the kind of attention that they are now enjoying from Bank Mandiri. Needless to say, these customers are more responsive to the new ways of Bank Mandiri.

Q: How are employees of Bank Mandiri taking these changes?

A: They are just as excited. And remember that our present employees of 16,673 personnel had been short-listed and selected from the 26,597 personnel of the Legacy Banks. Because we have a clear goal, we knew what to look for in our potential candidates. We simply short-listed those who were most familiar with the market orientation concept and, after a series of proficiency test, selected the best candidates. Essentially, this means that Bank Mandiri has selected the appropriate personnel in order for us to achieve our goals. From our personnel selection process we are assured that our employees have a keen understanding of the market principles. For the past three decades or more, they had had few opportunities to exercise these principles due to the prevailing environment at the time. Today, they are responding positively to changes in their environment.

Q: Besides corporate culture and behavioral change, what were the other major challenges of this merger?

A: Our creditors immediately come to mind. Altogether, the four Legacy Banks owed over USD 2.7 billion to international creditors. Many of these obligations require prior consent from creditors for either a change in direct ownership by the Government in the four respective Legacy Banks, the sale and transfer of assets, or mergers. Thus, any refusal from these creditors to give consent could, in effect, block any assets transfer from the Legacy Banks to Bank Mandiri, delay the legal merger itself indefinitely, or lead to foreign litigation with adverse international publicity. It was therefore imperative for us to convince these creditors that their claims are on a firmer foundation with Bank Mandiri than they would be with one or any of the Legacy Banks. Furthermore, creditors were assured that existing guarantees will remain in place and that Bank Mandiri will be among the leaders in Indonesian banking, capable of competing against the best private banks and international banks in Indonesia.

Q: Were they convinced?

A: We distributed circulars to all off-shore creditors, describing in details the mission and strategic plans of Bank Mandiri as well as the formation of a professional organization capable of achieving its goals. We also projected Bank Mandiri's ability to meet its future funding needs on the basis of high level treasury function as well as the recapitalization commitments from the IMF and World Bank, and the fact that creditors were guaranteed by the state. Complementing the circular, telephone lines were dedicated at Bank Mandiri to fill queries from creditors regarding our merger. These phones were answered by the Deutsche Bank team as our main advisor to the merger as well as our own merger team. In April and May 1999, the team responded to hundreds of queries and requests for informations. Then in May we conducted roadshows in Hong Kong, Singapore and London. More than 210 creditors attended these roadshows. Although these attendances represented approximately 89% of our total obligations and we received

official consent from 78% of identified creditors, there have been no objections to our merger to date. We are pleased that the responses have unanimously supported the merger process of Bank Mandiri.

Q: How has Bank Mandiri been recapitalized since the legal merger?

A: We were recapitalized in full when the Government of Indonesia issued IDR 178 trillion in Government bonds in two tranches in October and December 1999. This raised our CAR level (for Tier-I and Tier-II capital) to above the 8% minimum requirement of Bank Indonesia. However, let us underline one important point about this recapitalization. Recapitalization alone will not turn a bad bank into a good one. But in the case of Bank Mandiri, our recapitalization was made on the conditions that we were able to first restructure and consolidate our earning assets, as well as key areas of operations including head- and branch-office integration and rationalization of Legacy Banks personnel. These were the conditions that were imposed by the Government of Indonesia, which we had to meet if we were to be recapitalized. Therefore, since our recapitalization was made after we had restructured a significant amount of our earning assets, we are poised for profitable growth from our restructured assets as much as from our interest income on the government bonds. For instance, from our restructured assets alone, we expect to earn interest income which will grow from IDR 2.7 trillion in 1999 to approximately IDR 7.1 trillion by the year 2001.

Q: How will Bank Mandiri perform, going forward?

A: For one thing our credit restructuring is proceeding rapidly; whereas collections are in line with our projections. As at year 1999, we had approximately IDR 24.6 trillion worth of credit restructuring which were either completed (57.9%), signed MoU's but pending implementation (19.2%) or in final stages of negotiations (23.2%). From these restructuring and future new lending, we expect to post robust growth on our "good book" loans from IDR 44.0 trillion in 1999 to IDR 49.3 trillion in 2000 and IDR 57.5 trillion in 2001. At the same time, our rationalized and fully redesigned branch banking will create a strong platform for Bank Mandiri to capture the retail and middle market banking segments in Indonesia, which show the most potential growth prospects in the near-to medium-term future. While an integrated information technology platform will lead to substantial gains in operating efficiency.

Q: What are the immediate challenge currently faced by Bank Mandiri?

A: As a result of the integration of the four Legacy Banks, Bank Mandiri faces certain compliance issues with regards to net open position, open items and the legal lending limit. To resolve these issues, hedge bonds were issued together with our recapitalization. Through these hedge bonds, we have mapped out a clear strategy on resolving these issues within the next two years. We expect to resolve our net open position by gradually replacing our hedge bonds between March 2000 and December 2001.

Meanwhile, since September 1999, a task force of Bank Mandiri and Ernst and Young representatives has been assigned to resolve the open items originating from the four Legacy Banks. And finally, we are in discussion with certain debtors which have compromised our legal lending limit to resolve this issue through debt conversions, syndications, loan repayments, divestments and loan restructuring by year-end 2001.

BANK MANDIRI SINCE AUGUST 1, 1999

Since the legal merger of Bank Mandiri, the post merger integration has progressed more rapidly. An increased sense of purpose, greater cooperation and common goals have sharpened the focus of integration and consolidation for Bank Mandiri.

As most of the required staffs have been increasingly filled, Bank Mandiri is moving forward with increasing pace, clearing all hurdles with tangible results.

Our progress has been particularly significant in the restructuring of non-performing assets and the development of our core banking businesses. Through these efforts, Bank Mandiri has gained tremendous delivery capabilities to the consumer banking segment. The Bank is in the process of recovering its corporate loan assets, and has retained its strong banking relationship with the government and public business sectors. With these advantages, Bank Mandiri has achieved a net profit of IDR 461 billion for first quarter 2000, which we expect to grow exponentially in the years to come.

"CLEARING THE HURDLES"

COMPLIANCE AND CORPORATE GOVERNANCE

I Wayan Pugeg, Compliance Director, is responsible for the policy formulation and implementation of compliance at Bank Mandiri.

The Compliance Director and his team, working closely with international consultants, have formulated the key policies and procedures covering a broad range of banking operations and risk management areas that meet with international best practice. These policies and guidelines are constantly reviewed and refined to reflect the operational environment.

"Compliance is a recent development in Indonesian banking, and the introduction of a new concept or behavioral standard will always take some time to evolve. Compliance, after all, is as much a cultural issue as it is a practical undertaking," says I Wayan Pugeg.

Nevertheless, I Wayan Pugeg, a career banker from a state-owned bank who understands the prevailing culture of Bank Mandiri, also expresses his belief that compliance can be successfully instilled in the hearts and minds of Bank Mandiri employees.

Bank Mandiri was born as part of the banking sector reform in Indonesia. The Asian financial crisis of 1997 had fully exposed the frailties of this banking sector. Although much of the damage was mainly due to the virtual collapse of the Indonesian Rupiah, most of the troubled banks in Indonesia, including the four Legacy Banks of Bank Mandiri, were not fully in compliance with the commonly accepted norms and standards of prudential banking. Legal lending limit, net open position, lack of risk awareness, over exposure to a particular business sector, and disintegrated operations were among the key weaknesses of our national banking system in the past.

A New Era in Banking. A fresh hope for a new era in Indonesian banking has emerged from the broad and fundamental changes that are now being applied to the banking sector. Among other developments, these changes include the requirement of Bank Indonesia for all senior management members of banks to undergo a fit and proper test; the obligations of all key directors of a bank to commit themselves to a legal document that signifies their personal, moral, and financial responsibility; and the new regulations of Bank Indonesia on compliance.

Compliance. In line with this regulation, Bank Mandiri has appointed a Compliance Director who is independent of and detached from all banking operational responsibilities. The Compliance Director is approved by Bank Indonesia and reports directly to the Central Bank on issues regarding compliance.
Compliance at Bank Mandiri begins with the Bank's vision and mission goals which among other things represent the core faith and commitments of Bank Mandiri employees to professionalism, integrity and excellence.

Policies and Procedures. At the operational level, these commitments are facilitated by a clear set of standard operating policies and procedures covering all banking operations.

Corporate Governance. The Charter on Good Corporate Governance at Bank Mandiri sets forth the principles on transparency, full disclosure, independency and accountability.

Bank Management. The management of Bank Mandiri is carried out by the Board of Directors, while management supervision is undertaken by the Board of Commissioners.

Members of the Board of Directors and the Board of Commissioners are appointed by the General Meeting of Shareholders as set forth in the Bank's Articles of Association, and have to comply with the following criteria:

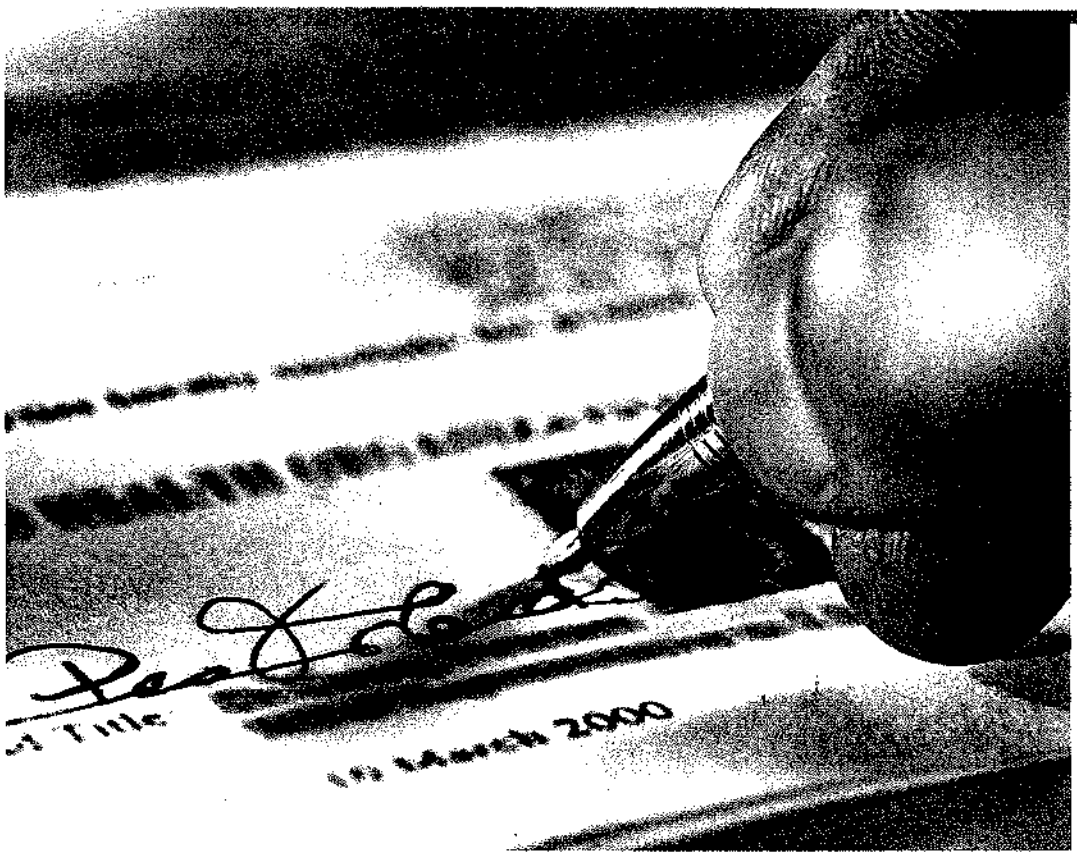
- integrity and competency,
- able to act lawfully, and have never been declared insolvent,
- have never been part of any board of commissioners or directors of a company that have been declared bankrupt.
- have never been involved in a criminal case.

In the execution of its duties, the Board of Commissioners sets up the Audit Committee, the Nominating Committee and the Compensation Committee.

Audit Committee. The Audit Committee is set up by and responsible to the Board of Commissioners. The Committee assists the Board of Commissioners in the effective execution of its oversight duties. The Committee comprises three members, one of whom is a member of the Board of Commissioners. The two other members were appointed from outside of the Bank, unrelated to the management or shareholder of Bank Mandiri.

The Audit Committee is chaired by Soedarjono, with Soejatna Soenoesoebrata and Zulkifli Djaelani as members, all of whom are fully knowledgeable and experienced in the oversight as well as the operations of a banking institution.

Nominating Committee. This Committee assists the Board of Commissioners in selecting the members of the Executive Management Board of Bank Mandiri.



Compensation Committee. This Committee assists the Board of Commissioners in evaluating the performance of the Executive Management, and in making recommendations to the Board of Commissioners with regard to the remuneration, benefits and other compensation for the Executive Management, to be brought up at the General Meeting of Shareholders.

The Board of Directors and Executive Management. The Board of Directors is appointed by the General Meeting of Shareholders, and consists of persons with suitable experience and capabilities in banking. In discharging its duties, the Board of Directors appoints the Coordinating Executive Vice President, the Executive Vice President and Senior Vice President, which, together with the Board of Directors, comprise the Executive Management of Bank Mandiri.

Implementation of Corporate Governance. Bank Mandiri has various control mechanism with regards to the implementation of the principles of good corporate governance, which can be divided into:

(i) Control by the Board of Commissioners and the Executive Management, in accordance with their respective functions, duties and authorities.

(ii) Horizontal control through the clear segregation of duties and functions of business development, risk management, operations and accounting. In this regard, the management of risk is carried out by the Risk Management Committee, assisted by the Market Risk Management Committee, the Asset-Liability Committee, and the Credit Risk Management Committee. The management of credit risk is carried out by the separate units of Credit Risk Management (CRM) and Business Unit, incorporating the so-called 'four-eye' principle.

(iii) Vertical control is done by each superior with respect to his/her subordinates, along with appropriate and continuous corrective and guidance measures.

(iv) Independent control by units outside of line management, namely the Internal Audit Group, External Auditors, and the Compliance Director. To ensure complete impartiality, members of the Board of Commissioners and the Board of Directors shall not be related by birth or marriage to any other member.

Code of Conduct. As part of the implementation of the principles of good corporate governance, Bank Mandiri has established a Code of Conduct as a guide for all of the Bank's employees at all levels in their relationships with customers, business partners and working colleagues. Among others, the Code of Conduct regulates conflict of interest, abuse of authority and insider transactions.

Annual Disclosure. All employees of Bank Mandiri is required to submit an annual Statement of Disclosure pertaining to their adherence to the Code of Conduct during the period covered. In the event of a breach or non-compliance of the Code, appropriate punitive actions will be brought against the offender.

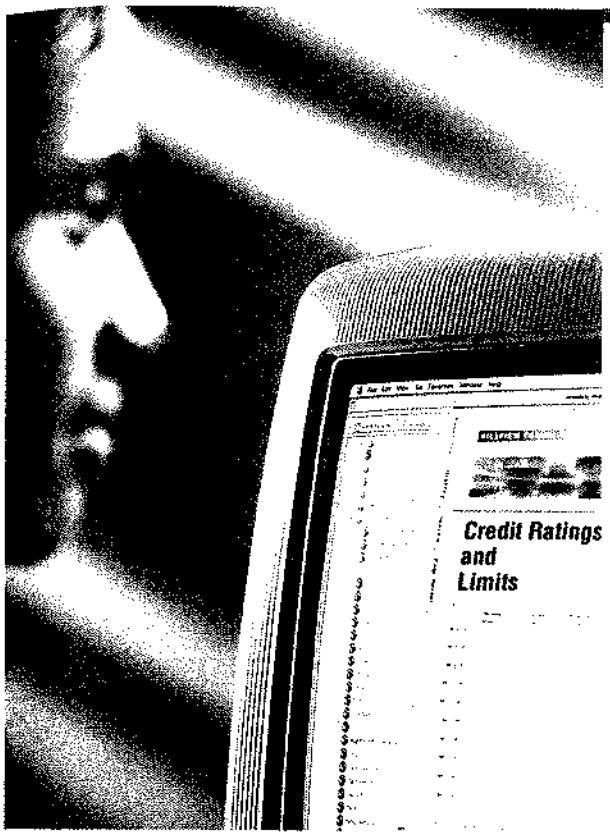
RISK MANAGEMENT

Agus Martowardojo, Managing Director, is responsible for Credit Risk Management and Credit Restructuring before and after the legal merger of Bank Mandiri. His department has been instrumental in restructuring 294 credit accounts worth more than IDR 18.91 trillion, and is in the process of negotiating 302 additional credit accounts amounting to IDR 17.8 trillion.

Agus Martowardojo attributes this success to the active approach that he and his team brings to the loan workouts.

" We are taking the case for restructuring to our debtors, emphasizing the benefits of early restructuring in their interests as much as ours," he says. He explains further that such an approach is unique to a state bank and customers are responding positively to Bank Mandiri's new initiatives. A career banker in the private banking sector, Agus Martowardojo understands the value of taking the business to the customers.

In the management reorganization of Bank Mandiri, as of February 15, 2000, Agus Martowardojo has been reassigned as the Managing Director and Coordinator of Retail Banking and Operations. His responsibilities include the coordination of branch offices throughout Indonesia, product development for retail banking, information technology, operations and branch office integration.



Credit Risk Management (CRM) and Credit Restructuring represent two key elements in the consolidation of the loan assets of the four Legacy Banks into Bank Mandiri. In credit risk management, the aim was to establish a centralized, uniformed and independent credit risk management role. At the same time, a strong credit culture of risk awareness was encouraged through increased credit risk exposures reporting across products, business areas, and operating units as well as regions within the Bank. We then formed five distinct CRM units for each of our major business areas and operating units comprising CRM Corporate and Commercial, CRM Financial Institution, CRM Retail, CRM Credit Risk Review and CRM Support Function.

Cultivating a Credit Culture.
A major accomplishment of the Risk Management Group in 1999 was the creation and cultivation of a Mandiri Credit Culture. This credit culture aims that credit risks are identified, understood, properly assessed and effectively communicated across Bank Mandiri. In addition to our credit culture, we have also formulated a credit policy which emphasizes on portfolio quality, credit extensions on the basis of sound business plan, diversification of credit risk and monitoring risk vis-a-vis reward. This policy also includes empowering our relationship managers to be primary responsible for identifying problem exposure as our first line of defense. With the Credit Policy and Guidelines providing much of the framework for our Credit Risk Management, Bank Mandiri can now fully assess risks that involve markets, products, clients and business segments; posses a comprehensive credit risk portfolio management and strategy; and has the means to delegate credit authority and carry out credit approval processes and procedures more effectively. Bank Mandiri is also able to manage the risk profiles of sound corporate and commercial clients using credit reporting systems and credit authority structures, risk scoring sheets and spreadsheets for financial statement analyses. In addition, we manage the risk profiles of our relationship with banks and other financial institutions using industry specific analytical tools. As for our CRM Retail, we have developed specific guidelines and procedures for retail banking credit processings, which include the credit reports for individuals and small business customers, retail analysis forms and related check lists.

Credit Workouts. Throughout 1999, Bank Mandiri consolidated and restructured the credit portfolios of the four Legacy Banks. In March 1999, the four Legacy Banks transferred 806 loan asset accounts in excess of IDR 5 billion of category-5 loans with a total value of IDR 76.32 trillion to IBRA. From Bank Mandiri's point of interest, credit restructuring is undertaken with the aim to optimize the recovery potential of bad loans by eliminating additional credit risk and minimizing cost. Credit restructuring is reserved for highly cooperative debtors and should benefit both the Bank and debtor.
Our credit restructuring is based on a realistic scenario in which the net present value of future cash flows after restructuring is clearly higher than the value that the Bank would receive from a liquidation proceedings.

OPERATIONS

Kodradi, Executive Vice President, is in charge of Operations with key responsibilities in Human Resources/ General Affairs, Information Technology and Coordination of Legacy Banks. These units, together with Training, Head Office Operations and the integration of Information Technology represent key components of the merger process.

"A critical aspect of Bank Mandiri's continuing success in the future lies in our ability to train, develop and imbue our human resources with the new corporate culture of Bank Mandiri which is market-driven and profit oriented on the strength of personal creativity and initiatives," says Kodradi. He explains further that this is an extremely tall order given the mind set of state banks in Indonesia in the past. However, with the right kind of environment, and the increasing role of Information Technology in promoting fast, effective, open and reliable banking operations, he is confident that change can and will take place among Bank Mandiri employees.

A career banker from one of the Legacy Banks, Kodradi has adequate knowledge of the dynamics of a state-owned bank to institute change among its rank and files.

As part of Bank Mandiri's management reorganization, as of February 15, 2000, he has been reassigned to serve as the Risk Management and Support Coordinator, which include Human Resources and Training.

Operations oversees Human Resources/General Affairs, Information Technology and coordination with the four Legacy Banks. In 1999, much of our attention was devoted to the selection and recruitment process of the Bank Mandiri personnel as well as the establishment of a human resources strategy, going forward.

Voluntary Separation Scheme (VSS) Program. With the help of Hay Management consultant, Bank Mandiri has selected 16,673 personnel from a total of 26,597 employees of the four Legacy Banks. A Voluntary Separation Scheme program had been designed that met the interest of all key stakeholders of the Bank, was acceptable to the business community and the general community at large, was competitive with similar packages of other banks and state-owned enterprises, and sufficiently attractive to induce a substantial number of employees to accept. In February 1999, this VSS program was implemented alongside the selection process for the Bank Mandiri personnel.

Fair and Transparent. This selection was seen as a fair and transparent process that put candidates through rigorous screening, testing and interviewing. The process starts with the job opening announcement to collection of applications, aptitude test, know-how interview, competency interview and the final interview leading to selection. As expected, not everyone applied for selection. Of the 26,597 employees of the four Legacy Banks, a total of 13,690 had been selected with 2,983 personnel still undergoing selection. Thus, both our VSS program and selection process not only ensured that the most suitable candidates are selected for Bank Mandiri, but that there would also be room for Bank Mandiri to recruit a fresh batch of competent personnel.

Operations. Operations activities in 1999 mainly involved the integration of head office operations involving Card Center, Trade Finance, Remittance and Teletransfer, Treasury and Global Market Operations and the supporting functions which include Legal, Communications, Corporate Planning (Strategic & Business Performance) and General Affairs; all of which were achieved in 1999.

Information Technology. Bank Mandiri is developing a common integrated platform for the use of information technology in Credit Risk Management, Retail Banking and its delivery systems, Wholesale Banking, Back Office Systems, Management Information Systems, General Services and Human Resources.

We expect to complete our single information technology platform for Bank Mandiri to cover all banking operations by the first quarter of 2001.

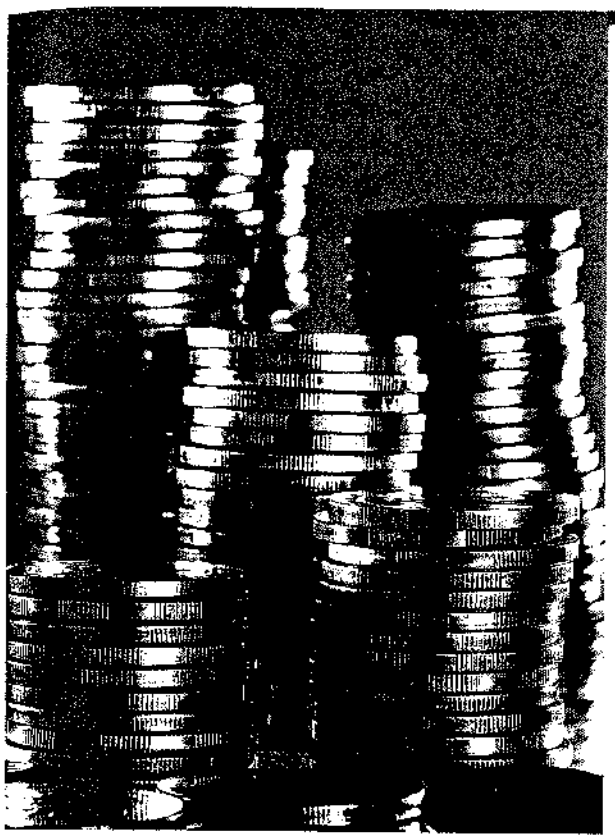
DEVELOPING OUR BUSINESS

Peter B. Stok, Executive Vice President, is responsible for the business development of Bank Mandiri in the pre-and-post merger period. The portfolios involve the transfer of performing loans in corporate banking from the Legacy Banks, restructuring commercial banking loans, developing the retail banking segment in line with Bank Mandiri's new emphasis on this market segment, and maintaining Bank Mandiri's strong relationship banking with the government sector.

Peter B. Stok sees the need for Bank Mandiri to be more aggressive in its marketing efforts, more competitive in product differentiation and pricing, and more responsive to changing customer needs. "We have one of the largest banking networks in the country today with over 658 service outlets, and as many ATMs, and a market share of approximately 30% of the banking business in Indonesia today. Just think of the sheer potential of these resources if we were to improve our delivery significantly in terms of responsiveness, reliability, speed and so forth," he says.

A career banker from the private banking sector, Peter B. Stok believes that these goals are within reach of Bank Mandiri in the next year or two.

In the management reorganization of Bank Mandiri, as of February 15, 2000, Peter B. Stok has been reassigned to serve as the Corporate Banking and Restructuring Coordinator.



The business development of Bank Mandiri includes retail banking, corporate banking, government relationship, commercial banking and product and business development. However, Bank Mandiri has focused more on developing a distinctive retail banking strategy.

Focus on Retail Banking. Our goal is to become a leading Indonesian retail bank. We have conducted extensive research to pinpoint current needs in the retail banking market. Bank Mandiri should focus on middle class individual customers, offering a specific range of good value products, unequaled services and convenience through an extensive branch and ATM network.

Branch Integration. A critical element of our retail banking strategy is the integration of 740 branch offices of the four Legacy Banks. This will be scaled down to 658 branches of Bank Mandiri, utilizing the more efficient hub-and-spoke concept. While most bank branches today operate their own back office and administration, Bank Mandiri's network will be organized in "hubs" and "spokes", where hubs will contain back office functions and spokes will focus solely on customer services. We are targeting 55 hubs to serve 529 spokes branches, in addition to 10 regional offices and 74 cash-outlets. Our hub-and-spoke structure will achieve higher efficiency through greater economies of scale.

Branch Rationalization. The key objectives of branch rationalization which continues to progress to date are (i) to form an effective branch banking network, and (ii) to maintain and improve the delivery and quality of branch banking services to customers. Branch rationalization has been carried out by closing, combining and redesigning certain branch offices, all of which is expected to be completed by the end of the year 2000. As at year-end 1999, a total of 82 branch offices had been closed.

Meanwhile, the redesigning of branch offices will comprise six aspects, namely: (i) conversion of information technology to a single platform, (ii) hub-and-spoke branch network, (iii) personnel selection, (iv) standard operating procedures, (v) product integration, and, (vi) branch identity and uniformity.

Branch rationalization is to be implemented with a gradual roll-out within a two-year period starting in 1999. As of August 1999, roll-out on 5 branches have been achieved as Bank Mandiri Pilot Branches.

With the completion of branch roll-out, our service network will comprise of class A (hub), class B (major spoke), class C (minor spoke) branch offices and cash outlets. Personnel at regional and branch offices will be reduced from 22,137 employees prior to the legal merger to 12,574 following the branch roll-out.

Other Business Developments. Other business developments in corporate banking, government relationship and commercial banking were not nearly as complex as in retail banking. Bank Mandiri merely focused on the consolidation of the businesses of the four Legacy Banks in these areas, and integrated their back office supporting elements into the Bank Mandiri platform. Under corporate banking, we developed a corporate relationship management group, three product management services groups, a specialty group and a support group. In government relationship, there are three government relations management groups and a support group. In commercial banking, we have a commercial relationship management group and two loan workout groups. While in product and business development the emphasis is on improving product and service quality, card products and the development of new delivery channels.

TREASURY AND INTERNATIONAL BANKING

Edwin Gerungan, Executive Vice President, is responsible for the treasury and international banking portfolio of Bank Mandiri, which comprises a separate Global Market (capital markets sales and trading activities) and Treasury (bank funding activities) as well as an economic and financial research arm in support of trading activities. The portfolio also includes International Banking, Financial Institution Relations, International Financial Services and the operations of Bank Mandiri's overseas branches in Tokyo, Hong Kong, Singapore, London, the Cayman Islands and Cook Islands.

"The greatest challenge for international banking today is to regain the confidence of the international banking community in the Indonesian banking sector," explains Edwin Gerungan. He underlines the importance of recent international roadshows by Senior Management as an effective way of establishing Bank Mandiri internationally.

A career banker with over 25 years of experience in treasury operations, Edwin Gerungan brings a wealth of expertise and extensive international contacts which are highly suitable for his post at Bank Mandiri.

Bank Mandiri has established a Treasury, Global Market and Operations organizational structures that are in accordance with international best practice.

Drawing Lines of Responsibilities. These three units are separate and independent of each other. Treasury has a clear responsibility of managing and funding the Bank's balance sheet and cashflow. While Global Market is a clearly defined business division that focuses on generating profits from servicing clients as well as from proprietary trading. This separation allows Bank Mandiri to draw a clear line between its Global Market trading book and Treasury book, each of which has several risk limits and profit/loss statements. In addition to the separation, we employ a fully independent Treasury and Global Market operations (back office) department. This is critical for the operations department to exercise control over the front office trading activities. Thus, our Operations Department can guard against irregular, erroneous or fraudulent trading.

Risk Management. On top of everything else, Bank Mandiri has a Risk Control Group which is fully independent from Treasury and Global Market. The Risk Control Group reports directly to the Financial Controlling Head. This Group closely measures and monitors market risk, liquidity risk and credit risk on a real time basis using best practice risk measurement tools. This was achieved in June 1999 with the installation of the risk management platform, *Plateau*, linking the front and back office platform for centralized risk management.

Established Policies and Guidelines. In addition, we have developed a comprehensive standard operating procedure manual as well as risk policy guidelines for both Treasury and Global Market. These manuals clearly define the different responsibilities of Treasury, Global Market and Operations, the methodology for monitoring and measurement of market and liquidity risks as well as guidelines for setting risk limits, approving limit excesses and new product approvals.

International Banking. In International Banking, the emphasis during 1999 was for Bank Mandiri to regain the confidences of the international banking community. This involved highlighting the viabilities of Bank Mandiri and the recovery of the Indonesian banking sector in general in the wake of the Asian financial crisis. To that end, Bank Mandiri undertook several roadshows to Singapore, Hong Kong, London and New York to meet with the heads of leading international banks. The Bank Mandiri roadshow team, comprising the President Director and several Executive Management personnel presented Bank Mandiri as a Bank that is in a far more stronger position than any of its four Legacy Banks; that it has a sound and solid professional management and that, most importantly, it has restructured most of its banking operations in accordance with international best practice with the help of Deutsche Bank, a world leading bank, and several international management consultants. This led to several international banks resuming their credit line facilities to Bank Mandiri in 1999.

FINANCIAL CONTROL

BANK MANDIRI IS WORKING TOWARDS ESTABLISHING A FINANCIAL CONTROL AND ACCOUNTING FUNCTION THAT IS IN LINE WITH INTERNATIONAL BEST PRACTICE, AS WELL AS ACCOUNTING SYSTEMS AND PROCESSES THAT ARE FULLY INTEGRATED, CAPABLE OF SUPPORTING THE NEW BANK MANDIRI IN TERMS OF PERFORMANCE MANAGEMENT, COST EFFICIENCY, INTERNAL CONTROL, RECONCILIATION, PEOPLE MANAGEMENT AND REGULATORY REPORTING NEEDS.

"CROSSING THE TAPE"

In 1999, the complexities in the integration process of the controlling/accounting systems of the four Legacy Banks required Bank Mandiri to organize seven working teams involving a total of 75 bank staff and external consultants. These seven areas of work comprise regulatory reporting, internal financial management reporting, accounting policy, charts of accounts, office of the controller, general ledger application system architecture and controlling/accounting processes, all of which need to be reviewed, improved and aligned to meet the single platform requirement of Bank Mandiri.

As at year-end 1999, Bank Mandiri had achieved significant progress in these integration efforts. In regulatory reporting, for instance, Bank Mandiri is now able to report total deposit in IDR and USD with all branches, and a weekly assets and liabilities status.

A financial management reporting on profit/loss, balance sheet consolidation, business unit and cost center financial performance has also been made available. A new policy manual on accounting has been published. Twenty principal policies has been stated according to international best practice. The office of the controller has been effective since mid May 1999 and is currently fully operational. The general ledger application system architecture has been finalized and work continues on the systems development for an integrated general ledger and reporting system. The single remaining challenge lies with a controlling/accounting processes where consolidation of financial information for inter-branch reconciliation purposes is still performed across nine system platforms.

Plans are in place to implement a more comprehensive MIS when all ledgers and financial data have been converted into a single information technology platform by 2001.

PT Bank Mandiri (Persero) (hereinafter referred to as "Bank Mandiri" or the "Bank") was established on October 2, 1998, as a banking institution wholly-owned by the Government of Indonesia. On July 31, 1999, four other state-owned banks, namely PT Bank Bumi Daya (Persero), PT Bank Dagang Negara (Persero), PT Bank Ekspor Impor Indonesia (Persero) and PT Bank Pembangunan Indonesia (Persero), were merged into Bank Mandiri. The establishment of Bank Mandiri was thus part of the Government's effort in resolving the crisis in the country's banking sector, and in particular the revitalization of state-owned banks.

OPERATING RESULTS

(in millions of Rupiah, for the period ending December 31)	1999	1998
Net interest income (expenses)	(21,764,575)	(25,763,386)
Non-interest income	3,747,642	1,164,125
Other income (expenses)	(1,280,151)	(530,290)
Provisions for loss for loans and other earning assets	(36,301,666)	(85,919,495)
Operating expenses	(12,556,696)	(13,663,339)
Loss before income tax	(68,155,446)	(124,712,385)
Income tax	-	(261)
Net loss before minority interest	(68,155,446)	(124,712,646)
Minority interest	85	569,646
Net income (loss)	(68,155,361)	(124,143,000)

Net Interest Income (Expenses). Bank Mandiri booked a net interest expenses of Rp 21.8 trillion in 1999, compared to Rp 25.8 trillion of net interest expenses recorded in 1998. In the seven-month of 1999 period prior to the merger, the Bank incurred net interest expenses of Rp 18.0 trillion. Meanwhile, in the five-month period following the merger Bank Mandiri still recorded net interest expenses of Rp 3.8 billion, with the recapitalization of the Bank being completed only in October and December of the year. The negative interest income was mainly due to negative spread condition prevailing in Indonesia's banking sectors in the periods being compared.

Bank Mandiri derives its interest and investment income from its loan portfolios, marketable securities, placement with other banks, and others. In 1999, interest and investment income, including income from fees and commissions, amounted to Rp 14.1 trillion, compared to Rp 18.7 trillion in 1998. The largest contributor to interest and investment income was from loans (56.9%), followed by marketable securities (31.4%), placement with other banks (6.0%) and others (5.7%).

Total interest and other financing expenses in 1999 amounted to Rp 35.9 trillion, compared to Rp 44.5 trillion in 1998. These represented interest and other financing expenses incurred on the Bank's time deposits, giro and saving accounts, borrowings, promissory notes issued, and others. Interest expenses paid on time deposits amounted to Rp 29.5 trillion, representing 82.4% of the Bank's total interest and other financing expenses.

Other Operating Income (Expenses). Other operating income in 1999 amounted to Rp 3.7 trillion, compared to Rp 1.2 trillion in 1998. A significant portion of other operating income was contributed by gain from foreign exchange transaction, which amounted to Rp 3.0 trillion in 1999.

Other operating expenses, comprising provisions for earning asset losses, general and administrative expenses, employee salaries and benefits, and others, totalled Rp 48.9 trillion in 1999, compared to Rp 99.6 trillion in 1998.

Provisions for earning asset losses represented the largest component of the Bank's other operating expenses, and amounted to Rp 36.3 trillion in 1999, compared to Rp 85.9 trillion in 1998. These represent the amount set aside for the allowance for earning asset losses in the respective period being compared for giro and placement with other banks, marketable securities, the government bonds, other lines and facilities received, loans outstanding, and equity participation investments.

In 1999, general and administrative expenses, and employee salaries and benefits, including expenses for the Bank's Voluntary Separation Scheme, amounted to Rp 1.8 trillion and Rp 4.2 trillion, respectively. In 1998, the respective amounts were Rp 1.6 trillion and Rp 1.3 trillion.

Operating Income (Loss). As a result of the above, Bank Mandiri booked an operating loss of Rp 66.9 trillion in 1999. Operating loss in 1998 was recorded at Rp 124.2 trillion.

Net Income (Loss). After accounting for non-operating income (expenses), provisions for income tax and minority interest in net loss (income) of consolidated subsidiaries, Bank Mandiri booked a net loss of Rp 68.2 trillion in 1999, compared with net loss of Rp 124.1 trillion in 1998.

CHANGES IN FINANCIAL POSITIONS

(in millions of Rupiah, as of December 31)	1999	1998
Total assets	224,646,943	100,532,134
Total liabilities	217,703,422	201,975,096
Total shareholders' equity	6,943,521	(101,442,962)

Liquidity. The Bank strives to maintain a healthy liquidity by keeping its current assets at adequate levels to cover its maturing liabilities at any given period. The Bank's current assets, comprising cash, giro with Bank Indonesia and with other banks, and net of allowance for losses, amounted to Rp 14.7 trillion as at year-end 1999, an increase of 21.8% from Rp 12.1 trillion a year earlier. The following table compares the Bank's current assets to its total assets and total third-party deposits, at end of the years stated.

Ratio	1999	1998
Current assets to total assets	6.57%	12.05%
Current assets to deposits	9.97%	7.96%

Earning Assets. The Bank's total earning assets, including off-balance sheet accounts, but net of allowances for possible losses, amounted to Rp 210.8 trillion as at year-end 1999, comprising of placement with other banks, marketable securities, Government bonds, equity participation investment and loans outstanding.

Loans Outstanding. Total loans outstanding at year-end 1999 amounted to Rp 44.0 trillion, a decline of 67.2% from Rp 134.2 trillion at year-end 1998. The decline was primarily attributable to the write-offs of Collectibility 5 (Loss) category loans transferred to the Indonesian Bank Restructuring Agency in 1999. The following tables give the composition of the Bank's loan portfolios according to type of credit, sectoral distribution and maturities.

(in millions of Rupiah)

Type of Credit *(in millions of Rupiah)*	1999 (consolidated)
Working capital loans	15,677,605
Investment credit	16,915,200
Government program loans	3,898,134
Export credit	4,824,678
Syndicated loans	1,744,298
Consumer loans	588,983
Employee loans and others	373,764
Total Credit	44,022,662

(in millions of Rupiah)

Type of Industry	1999 (consolidated)
Manufacturing	16,887,838
Agriculture	6,455,449
Trading, restaurant and hotel	7,305,687
Construction	2,506,149
Other business services	2,557,174
Transportation, warehousing and communication	2,304,162
Electricity, gas and water	662,378
Social services	202,669
Mining	391,114
Others	4,750,042
Total Credit	44,022,662

(in millions of Rupiah)

Loan Terms	1999 (consolidated)
Less than 1 year	12,954,882
1 - 2 year	44,965
2 - 5 year	25,203
More than 5 year	30,997,612
Total Credit	44,022,662

The Bank provided sufficient amount of loss allowances to cover the possibility of loss from uncollectible loans. The following tables show the changes in the balance of loss allowances and the collectibility categorization of the Banks' loan portfolios, for the years under review.

(in millions of Rupiah)

Changes in the Balance of Loss Allowances	1999
Balance, August 1, 1999	22,973,003
Provisions made for the period of August until December 31, 1999	11,820,735
Recoveries of credit previously written-off	762,555
Credit write-off	(13,642,330)
Foreign exchange fluctuations due to translation of financial statements	217,823
Balance, December 31, 1999	22,131,786

(in millions of Rupiah)

Loan Collectibility	1999
Current	8,803,292
Special mention	4,033,229
Sub-Standard	5,397,942
Doubtful	4,399,505
Loss	21,388,694*)
Total	44,022,662

*) Comprising of Rp 4,6 trillion which is in the process of being transferred to IBRA, with the rest in the process of being restructured.

Investments in Shares of Stock. Aside from equity stakes in consolidated subsidiary companies, Bank Mandiri also has investments in shares of stock of unlisted companies, either as a long-term investment or temporary investment as part of loan recovery and work-out processes. As at year-end 1999, the Bank's investments in shares of stock, net of allowance for possible losses, amounted to Rp 249.4 billion, a decline of 54.7% from Rp 550.7 billion at year-end 1998.

Deposits. Third-party deposits represent the main source of the Bank's funding, and consist of giro, savings account, time deposits account, and certificates of deposit. Total third-party deposits as at year-end 1999 amounted to Rp 148.0 trillion, relatively unchanged compared with Rp 152.2 trillion at year-end 1998. The following table gives the composition of third-party deposits at the end of the years being compared.

(in millions of Rupiah)

Third-Party Deposits	1999	1998
Giro	19,856,050	18,233,118
Savings	14,305,273	8,795,767
Time deposits	113,279,031	120,505,751
Certificates of deposit	565,219	4,691,602
Total Third-Party Deposits	148,005,573	152,226,238

Equity. The Bank's total equity as at year-end 1999 amounted to Rp 6.9 trillion (before deduction of Rp 2.657 trillion of Government bonds), compared with an equity deficit of Rp 101.4 trillion a year earlier. Changes in the Bank's equity were mainly due to additional paid-in capital and accumulation of deficit. Additional paid-in capital represented funds for the Bank's recapitalization in the form of Government bonds worth a total of Rp 178.0 trillion, which were accounted for as Rp 177.749 trillion of additional paid-in capital, and Rp 0.251 trillion as addition to issued and fully paid-in share capital. Accumulation of equity deficit meanwhile increased from Rp 105.5 trillion at year-end 1998 to Rp 175.0 trillion at year-end 1999.

Capital Adequacy. The following table gives the calculation of the Bank's capital adequacy at year-end 1999.

(in millions of Rupiah, except where otherwise stated)	1999 (consolidated)
Tier-I capital	4,265,856
Tier-II capital	4,265,856
Total capital	8,531,712
Risk-weighted assets	61,412,008
Risk-weighted off-balance sheet exposure	9,563,017
Total risk-weighted assets	70,975,025
Capital adequacy ratio	12.02%

PRASETIO, UTOMO & CO.

REGISTERED PUBLIC ACCOUNTANTS

PT BANK MANDIRI (PERSERO)
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1999
(With Comparative Figures for 1998)
AND
INDEPENDENT AUDITORS' REPORT

INDONESIAN CURRENCY

Prasetio, Utomo & Co.
Registered Public Accountants

This Report is Originally Issued in Indonesian Language.

INDEPENDENT AUDITORS' REPORT

Report No. 34116S

The Stockholder and the Boards of Commissioners and Directors
PT Bank Mandiri (Persero)

We have audited the consolidated balance sheet and statement of commitments and contingencies of PT Bank Mandiri (Persero) (hereinafter referred to as "Bank Mandiri") and Subsidiaries as of December 31, 1999, and the related consolidated statements of income, changes in stockholder's equity (capital deficiency) and cash flows for the five months then ended. These financial statements are the responsibility of Bank Mandiri's management. Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of Bank Mandiri's overseas branches and Subsidiaries for the five months ended December 31, 1999, which financial statements reflect total assets of 3.48% and interest and investment income of 4.20%, of the related consolidated totals. Those financial statements have been audited by other auditors, whose unqualified reports have been furnished to us. Our opinion insofar as it relates to amounts included for such overseas branches and Subsidiaries is based solely on the reports of the other auditors. We also did not audit the consolidated financial statements of Bank Mandiri and its Subsidiaries (former PT Bank Bumi Daya (Persero) and Subsidiaries, former PT Bank Dagang Negara (Persero) and Subsidiaries, former PT Bank Ekspor Impor Indonesia (Persero) and former PT Bank Pembangunan Indonesia (Persero), the four banks hereinafter referred to as "Merged Banks") for the seven months ended July 31, 1999, which financial statements are included in the accompanying consolidated statements of income, changes in stockholder's equity (capital deficiency) and cash flows for the year ended December 31, 1999. As explained in Note 3 to the consolidated financial statements, after their merger into Bank Mandiri effective July 31, 1999, the Merged Banks were legally dissolved without the process of liquidation. The consolidated financial statements of Bank Mandiri and Subsidiaries for the seven months ended July 31, 1999 and the year ended December 31, 1998 (before the merger), which are presented for comparative purposes, have been audited by other auditors, and whose reports dated March 20, 2000 and September 30, 1999, respectively, expressed unqualified opinion on those statements. The opinion of such auditors, however, does not cover the adjustments of those statements as discussed in Note 3.

We conducted our audit in accordance with auditing standards established by the Indonesian Institute of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

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This Report is Originally Issued in Indonesian Language.

In our opinion, based on our audit and the reports of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bank Mandiri and its Subsidiaries and their commitments and contingencies as of December 31, 1999, the results of their operations and their cash flows for the five months then ended in conformity with generally accepted accounting principles.

As discussed in Note 35 to the consolidated financial statements, the adverse economic conditions in Indonesia which, in 1998 up to the middle of 1999, have been characterized by volatile foreign currency exchange rates, high interest rates, tight liquidity and lack of public confidence in the country's banking system, have significantly affected the banking services sector, including the operations of Bank Mandiri and its Subsidiaries. These economic conditions have also caused uncertainty with respect to the ability of Bank Mandiri's and its Subsidiaries' customers to fulfill their obligations when they mature, thereby significantly increasing the credit risks inherent in their lending portfolio. Furthermore, the adverse economic conditions have also affected Bank Mandiri's and its Subsidiaries' cost of funds. Since the second half of 1999 up to the date of our report, the economic conditions in Indonesia showed signs of recovery such as lower interest and inflation rates. In 1999, the banking sector started to obtain recapitalization from the Indonesian Government and earning assets classified as loss have been transferred to the Indonesian Bank Restructuring Agency (IBRA). Such assets have been written off prior to their transfer to IBRA, thereby reducing provisions for possible losses. However, the banking sector continued to post negative interest margins for the years ended December 31, 1999 (and 1998). Bank Mandiri and its Subsidiaries recorded provisions for possible losses on earning assets of Rp 36 trillion in 1999 (and Rp 86 trillion in 1998) and negative interest margins of Rp 22 trillion in 1999 (and Rp 26 trillion in 1998). As discussed in Note 4, in 1999, by virtue of Government Regulation No. 52 of 1999 and Joint Decrees dated July 29, 1999 of the Minister of Finance and the Governor of Bank Indonesia concerning the Recapitalization Program for State-owned Commercial Banks, the Indonesian Government implemented the Recapitalization Program for Bank Mandiri. Further, based on the Interim Recapitalization Agreement between the Indonesian Government and Bank Mandiri dated October 12, 1999 and the Amendment to the Interim Recapitalization Agreement dated December 28, 1999, the Indonesian Government issued Government Bonds totaling Rp 178 trillion to increase the Republic of Indonesia's investment in shares of stock of Bank Mandiri. Upon recapitalization, Bank Mandiri has fulfilled the minimum Capital Adequacy Ratio requirement of Bank Indonesia and has a positive stockholder's equity position as of December 31, 1999. Further, as discussed in Note 37, on April 8, 2000, Bank Mandiri and the Indonesian Government entered into a Management Contract, which sets forth among others, the terms and conditions governing the recapitalization of Bank Mandiri, the final amount of which was determined to be Rp 173.931 trillion together with Rp 1.412 trillion to be retained to cover the deficiency in the paid-up capital stock as stipulated in Bank Mandiri's Articles of Association, resulting in the total amount of Government Bonds

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to be returned to the Indonesian Government of Rp 2.657 trillion. The accompanying consolidated financial statements include the effects of the adverse economic conditions to the extent they can be determined and estimated. Recovery of the economy depends on the monetary, fiscal and other measures that have been and will be undertaken by the Indonesian Government, actions which are beyond the control of Bank Mandiri and its Subsidiaries. It is not possible to determine the future effects of the adverse economic conditions on Bank Mandiri's and its Subsidiaries' earnings and realization of their earning assets, including the effects from their customers, creditors and stockholder.

PRASETIO, UTOMO & CO.
License No. 98.2.0024

Drs. Soemarso S. Rahardjo, ME
License No. 98.1.0064

April 29, 2000

NOTICE TO READERS

The accompanying consolidated financial statements are intended to present the financial position, commitments and contingencies, results of operations and cash flows in accordance with accounting principles and practices generally accepted in Indonesia and not those of any other jurisdiction. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in Indonesia.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah, Except Share Data)

ASSETS

	Notes	1999	1998 (As Adjusted, see Note 3)
CASH	2p	Rp 2,059,796	Rp 914,108
CURRENT ACCOUNTS WITH BANK INDONESIA	2p,5	7,960,447	8,833,864
CURRENT ACCOUNTS WITH OTHER BANKS - Net of allowance for possible losses of Rp 47,687 in 1999 (and Rp 2,499 in 1998)	2d,2p	4,728,928	2,362,821
PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS - Net of allowance for possible losses of Rp 59,725 in 1999 (and Rp 1,486,643 in 1998)	2d,2e,2p,6	2,992,623	6,374,096
SECURITIES - Net of unamortized interest of Rp 11,219 in 1999 (and Rp 37,883 in 1998) and allowance for possible losses of Rp 653,624 in 1999 (and Rp 5,388,271 in 1998)	2d,2f,2p,7	6,827,063	8,300,402
GOVERNMENT BONDS	2d,2g,8	164,000,000	-
DOCUMENTS AND OTHER FACILITIES - Net of allowance for possible losses of Rp 619,910 in 1999	2d,2e,2p,9	275,530	1,411,233
LOANS			
Related parties	2e,2d,2e,2p,10,31	2,403,198	615,870
Third parties		41,619,464	133,619,576
		44,022,662	134,235,446
Allowance for possible losses		(22,131,786)	(77,686,018)
Net		21,890,876	56,549,428
INVESTMENTS IN SHARES OF STOCK - Net of allowance for possible losses of Rp 323,767 in 1999 (and Rp 9,104 in 1998)	2b,2e,2d,2h,2p,11,31	249,372	550,650
PREMISES AND EQUIPMENT - Net of accumulated depreciation and amortization of Rp 1,136,158 in 1999 (and Rp 995,568 in 1998)	2e,2i,2j,2p,12,31	1,146,446	1,189,598
OTHER ASSETS	2p		
Unearned income		2,405,778	1,509,969
Prepaid tax		302,998	412,571
Prepaid expenses	2k	196,828	285,293
Others	13	9,610,258	9,838,101
Total Other Assets		12,515,862	12,045,934
TOTAL ASSETS		Rp 224,646,943	Rp 100,532,134

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEET
DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah, Except Share Data)

LIABILITIES AND STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)

	Notes		1999		1998 (As Adjusted, see Note 3)
LIABILITIES					
DEPOSITS					
Demand deposits	2c,2f,2p,14,31	Rp	19,856,050	Rp	18,233,118
Savings deposits	2c,2f,15,31		14,305,273		8,795,767
Time deposits	2c,2f,2p,16,31		113,279,031		120,505,751
Certificates of deposits - net of unamortized interest of Rp 2,818 in 1999 (and Rp 14,867 in 1998)	2f		565,219		4,691,602
Total Deposits			148,005,573		152,226,238
OTHER CURRENT LIABILITIES			4,679,136		4,975,613
ACCRUED EXPENSES			1,847,083		2,318,872
TAXES PAYABLE	2q,17		3,182,061		104,262
FUND BORROWINGS	2p,18		27,906,009		19,042,011
SECURITIES ISSUED	2p,19		5,475,126		5,222,718
OBLIGATION UNDER CAPITAL LEASE	2i,2p		9,679		28,840
OTHER LIABILITIES	2d,2g,2o,2p,3,20		18,917,812		10,659,986
SUBORDINATED LOANS	2p,21		4,960,681		5,051,561
LOAN CAPITAL	2p,22		2,713,500		2,838,375
Total Liabilities			217,696,660		202,468,476
MINORITY INTEREST IN NET ASSETS OF CONSOLIDATED SUBSIDIARIES	2b		6,762	(	493,380)
STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)	23				
Capital stock - Rp 1,000,000 par value per share					
Authorized - 16,000,000 shares					
Issued and fully paid - 4,251,000 shares in 1999 (and 4,000,000 shares in 1998)			4,251,000		4,000,000
Additional paid-in capital	3,4		177,749,004		4
Differences in foreign currency translation	2b		15,587		90,592
Deficit	3	(	175,072,070)	(	105,533,558)
Stockholder's Equity (Capital Deficiency) - Net			6,943,521	(	101,442,962)
TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)		Rp	224,646,943	Rp	100,532,134

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMMITMENTS AND CONTINGENCIES
DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah)

	Notes	1999	1998
COMMITMENTS			
Commitment Receivables			
Unused fund borrowings facility		Rp 1,125,210	Rp 506,832
Forward foreign currency bought	2p,33	253,791	1,626,740
Unrealized spot foreign currencies bought	2p,33	2,256	471,668
Others		629,714	168,533
Total Commitment Receivables		2,010,971	2,773,773
Commitment Payables			
Obligation to repurchase assets sold under repurchase agreement	2g,8	14,000,000	17,653
Unused loan facilities granted		6,657,206	14,831,095
Outstanding irrevocable letters of credit	2d	3,760,013	8,295,060
Import draft acceptances	2d	1,667,187	2,354,714
Forward foreign currency sold	2p,33	604,690	1,582,909
Unrealized spot foreign currencies sold	2p,33	2,265	774,104
Others		1,252,320	105,739
Total Commitment Payables		27,943,681	27,961,274
Commitments - Net		(25,932,710)	(25,187,501)
CONTINGENCIES			
Contingent Receivables			
Interest receivable on non-performing assets	2m	8,532,733	23,412,399
Bank guarantees received from other banks		1,718,927	6,105,939
Option foreign currencies bought	2p	824	47,593
Others		901,176	961,873
Total Contingent Receivables		11,153,660	30,527,804

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMMITMENTS AND CONTINGENCIES (Continued)
DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah)

	Notes	1999		1998	
Contingent Payables					
Guarantees issued in the form of:					
Bank guarantees	2d	Rp	6,358,173	Rp	11,882,218
Standby letters of credit	2d		2,751,334		-
Acceptance or endorsement of securities			107		54,888
Others			4,833		2,700
Option foreign currencies sold	2p		-		47,593
Others			371,037		671,176
Total Contingent Payables			9,485,484		12,658,575
Contingencies - Net			1,668,176		17,869,229
COMMITMENTS AND CONTINGENCIES - NET		(Rp	24,264,534)	(Rp	7,318,272)

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE FIVE MONTHS ENDED DECEMBER 31, 1999
(With Comparative Figures for the Seven Months ended July 31, 1999 and for 1998)
(In Millions of Rupiah)

	Notes	1999 August to December (5 months)	1999 January to July (7 months) *)	1999 January to December (1 year)	1998
INCOME AND EXPENSES FROM OPERATIONS					
Interest and Investment Income					
Interest and investment	2m,24	Rp 6,403,476	Rp 7,406,113	Rp 13,809,589	Rp 18,274,857
Fees and commissions	2n	79,304	201,836	281,140	412,812
Total Interest and Investment Income		6,482,780	7,607,949	14,090,729	18,687,669
Interest and Other Financing Charges	2m,25	10,268,642	25,586,662	35,855,304	44,451,055
Interest Expenses - Net		(3,785,862)	(17,978,713)	(21,764,575)	(25,763,386)
Other Operating Income					
Gain on foreign exchange - net	2p	155,691	2,849,338	3,005,029	-
Other fees and commissions	2n	101,033	263,454	364,487	574,332
Others		378,126	-	378,126	589,793
Total Other Operating Income		634,850	3,112,792	3,747,642	1,164,125
Other Operating Expenses					
Provision for possible losses on earning assets	2d	16,523,531	19,778,135	36,301,666	85,919,495
General and administrative	26	659,635	1,100,217	1,759,852	1,559,360
Salaries and employee benefits	2o,27,30	525,567	3,698,604	4,224,171	1,325,581
Others		4,835,829	1,736,844	6,572,673	10,778,398
Total Other Operating Expenses		22,544,562	26,313,800	48,858,362	99,582,834

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME (Continued)
FOR THE FIVE MONTHS ENDED DECEMBER 31, 1999
(With Comparative Figures for the Seven Months ended July 31, 1999 and for 1998)
(In Millions of Rupiah)

	Notes	1999 August to December (5 Months)	1999 January to July (7 Months) *)	1999 January to December (1 Year)	1998
LOSS FROM OPERATIONS	29	(Rp 25,695,574)	(Rp 41,179,721)	(Rp 66,875,295)	(Rp 124,182,095)
NON-OPERATING INCOME (EXPENSES) - NET	2n,28	(1,296,886)	16,735	(1,280,151)	(530,290)
LOSS BEFORE PROVISION FOR INCOME TAX		(26,992,460)	(41,162,986)	(68,155,446)	(124,712,385)
PROVISION FOR INCOME TAX	2q	-	-	-	261
LOSS BEFORE MINORITY INTEREST		(26,992,460)	(41,162,986)	(68,155,446)	(124,712,646)
MINORITY INTEREST IN NET LOSS (EARNINGS) OF CONSOLIDATED SUBSIDIARIES	2b	543	(458)	85	569,646
NET LOSS	29	(Rp 26,991,917)	(Rp 41,163,444)	(Rp 68,155,361)	(Rp 124,143,000)

*) The consolidated statement of income for the seven months ended July 31, 1999 represents the results of operations of Bank Mandiri and former PT Bank Bumi Daya (Persero) and Subsidiaries, former PT Bank Dagang Negara (Persero) and Subsidiaries, former PT Bank Ekspor Impor Indonesia (Persero) and former PT Bank Pembangunan Indonesia (Persero), prior to their merger into Bank Mandiri effective July 31, 1999, based on the reports of the other auditors.

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)
FOR THE FIVE MONTHS ENDED DECEMBER 31, 1999
(With Comparative Figures for the Seven Months ended July 31, 1999 *)
(In Millions of Rupiah)

	Notes	Issued and Fully Paid Capital	Additional Paid-in Capital	Donated Capital
Balance, January 1, 1999 as previously reported	3	Rp 4,000,000	Rp 22,679,238	Rp 811,798
Adjustments to beginning balances	3	-	(22,679,234)	(811,798)
Balance, January 1, 1999 as adjusted	3	4,000,000	4	-
Additional paid-in capital resulting from recapitalization for the seven (7) months ended July 31, 1999	4	-	137,800,000	-
Additional differences in foreign currency translation for the seven (7) months ended July 31, 1999		-	-	-
Net loss for the seven (7) months ended July 31, 1999		-	-	-
Predecessor auditors' audit adjustments to beginning deficit	2a	-	-	-
Conversion of additional paid-in capital to issued and fully paid capital	23	251,000	(251,000)	-
Balance, July 31, 1999		4,251,000	137,549,004	-
Additional paid-in capital resulting from recapitalization for the five (5) months ended December 31, 1999	4	-	40,200,000	-
Additional differences in foreign currency translation for the five (5) months ended December 31, 1999		-	-	-
Net loss for the five (5) months ended December 31, 1999		-	-	-
Balance, December 31, 1999		Rp 4,251,000	Rp 177,749,004	Rp -

* The Consolidated Statement of Changes in Capital Deficiency for the seven (7) months ended July 31, 1999 represents the changes in capital deficiency of Bank Mandiri and former PT Bank Bumi Daya (Persero) and Subsidiaries, former PT Bank Dagang Negara (Persero) and Subsidiaries, former PT Bank Ekspor Impor Indonesia (Persero) and former PT Bank Pembangunan Indonesia (Persero), prior to their merger into Bank Mandiri effective July 31, 1999, based on the reports of the other auditors.

** The Consolidated Statement of Changes in Capital Deficiency fo the year ended December 31, 1998 is not presented herein due to the reasons described in Note 2a

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)
FOR THE FIVE MONTHS ENDED DECEMBER 31, 1999
(With Comparative Figures for the Seven Months ended July 31, 1999 *)
(In Millions of Rupiah)

Revaluation Increment in Premises and Equipment	Differences in Foreign Currency Translation	Deficit	Stockholder's Equity (Capital Deficiency) - Net
Rp 20,122	Rp 90,592	(Rp 129,044,712)	(Rp 101,442,962)
(20,122)	-	23,511,154	-
-	90,592	(105,533,558)	(101,442,962)
-	-	-	137,800,000
-	(56,226)	-	(56,226)
-	-	(41,163,444)	(41,163,444)
-	-	(1,383,151)	(1,383,151)
-	-	-	-
-	34,366	(148,080,153)	(6,245,783)
-	-	-	40,200,000
-	(18,779)	-	(18,779)
-	-	(26,991,917)	(26,991,917)
Rp -	Rp 15,587	(Rp 175,072,070)	Rp 6,943,521

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah)

	1999 *)	1998
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(Rp 68,155,361)	(Rp 124,143,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of premises and equipment	320,640	224,402
Provision for possible losses on:		
Investments in shares of stock	925,800	-
Administrative accounts with lending-related risk	2,672,661	-
Other earning assets - net	32,703,205	79,075,276
Decline in value of Government Bonds - Hedge Bonds	647,500	-
Loss on sale of premises and equipment	86,732	7,300
Minority interest in net loss of consolidated Subsidiaries	(85)	(569,646)
Differences in foreign currency translation	(75,005)	84,893
Predecessor auditors' audit adjustments to beginning deficit	(1,383,151)	(554,151)
Purchase of Government Bonds	(15,580,000)	-
Sale of Government Bonds	14,000,000	-
Changes in other operating assets and liabilities:		
Earning assets	16,261,018	(47,862,551)
Other assets	(469,928)	418,499
Deposits:		
Demand	1,622,932	4,456,241
Savings	5,509,506	(635,791)
Time	(7,226,720)	63,674,364
Certificates	(4,126,383)	1,416,132
Other current liabilities	(296,477)	(2,248,980)
Taxes payable	3,077,799	(92,275)
Accrued expenses	(471,789)	1,400,261
Other liabilities	5,585,165	2,889,281
Net Cash Used in Operating Activities	(14,371,941)	(22,459,745)

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah)

	1999 *)	1998
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Government Bonds	(Rp 160,847,500)	Rp -
Increase in investments in shares of stock	(624,522)	(457)
Acquisition of premises and equipment	(364,220)	(303,173)
Obligation under capital lease	(19,161)	26,757
Net Cash Used in Investing Activities	(161,855,403)	(276,873)
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in minority interest in net assets of consolidated Subsidiaries	500,227	-
Increase (decrease) in securities issued	252,408	(13,051)
Increase in fund borrowings	8,863,998	6,182,024
Increase (decrease) in subordinated loans	(90,880)	445,683
Increase (decrease) in loan capital	(124,875)	455,625
Proceeds from additional paid-in capital	178,000,000	21,894,412
Payment of cash dividends	-	(139,472)
Net Cash Provided by Financing Activities	187,400,878	28,825,221
NET INCREASE IN CASH AND CASH EQUIVALENTS	11,173,534	6,088,603
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	12,110,793	6,022,190
CASH AND CASH EQUIVALENTS AT END OF YEAR	Rp 23,284,327	Rp 12,110,793

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
FOR THE YEAR ENDED DECEMBER 31, 1999
(With Comparative Figures for 1998)
(In Millions of Rupiah)

		1999 *)		1998
Cash and cash equivalents consist of:				
Cash	Rp	2,059,796	Rp	914,108
Current accounts with Bank Indonesia		7,960,447		8,833,864
Current accounts with other banks		4,728,928		2,362,821
Placements with other banks and financial institutions		2,263,932		-
Securities		4,051,224		-
Government bonds		2,220,000		-
Total Cash and Cash Equivalents	Rp	23,284,327	Rp	12,110,793
Activity not affecting cash flows:				
Conversion of additional paid-in capital to capital stock	Rp	251,000	Rp	-

*) The consolidated statement of cash flows for the year ended December 31, 1999 include the cash flows of Bank Mandiri and former PT Bank Bumi Daya (Persero) and Subsidiaries, former PT Bank Dagang Negara (Persero) and Subsidiaries, former PT Bank Ekspor Impor Indonesia (Persero) and former PT Bank Pembangunan Indonesia (Persero), prior to their merger into Bank Mandiri effective on July 31, 1999, based on the reports of the other auditors.

See accompanying Notes to Consolidated Financial Statements which are an integral part of the consolidated financial statements.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in Millions, Except as Otherwise Stated)

1. GENERAL

PT Bank Mandiri (Persero) (hereinafter referred to as "Bank Mandiri") was established in the Republic of Indonesia on October 2, 1998 under Government Regulation No. 75 of 1998 dated October 1, 1998 and based on notarial deed No. 10 of Sutjipto, S.H. dated October 2, 1998. The deed of establishment was approved by the Minister of Justice in his decision letter No. C2-16561 HT.01.01.Th.98 dated October 2, 1998 and was published in Supplement No. 6859 of State Gazette No. 97 dated December 4, 1998. Bank Mandiri was established by the acquisition of almost all shares of the Republic of Indonesia in PT Bank Bumi Daya (Persero) (BBD), PT Bank Dagang Negara (Persero) (BDN), PT Bank Ekspor Impor Indonesia (Persero) (BankExim) and PT Bank Pembangunan Indonesia (Persero) (Bapindo) (hereinafter collectively referred to as "Merged Banks"), and by depositing cash in payment of the capital for establishing Bank Mandiri.

Bank Mandiri's Articles of Association has been amended several times, most recently by notarial deed No. 98 of Sutjipto, S.H., dated July 24, 1999, concerning among others, the increase in the capital of the Government of the Republic of Indonesia. This amendment was accepted by the Minister of Justice in his decision letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and published in Supplement No. 252 of the State Gazette No. 77 dated September 24, 1999.

According to Article 3 of Bank Mandiri's amended Articles of Association, its scope of activities comprises engaging in commercial banking activities.

Bank Mandiri's head office is located in Jakarta. As of December 31, 1999, Bank Mandiri has ten (10) regional offices, covering fifty-five (55) "hubs", five hundred twenty nine (529) "spokes" and seventy four (74) cash outlets. In addition, Bank Mandiri has five (5) branch offices and two (2) representative offices overseas. Effective July 31, 1999, both representative offices located in New York and Los Angeles, United States of America were closed and the administration of transactions in the said offices was moved to Cayman Islands Branch. As of December 31, 1999, the approval of the closure of the two (2) representative offices is still pending.

At the Extraordinary General Meetings held on July 24, 1999 and covered by notarial deeds No. 93, 94, 95, 96 and 97 of Sutjipto, S.H., the stockholder of Bank Mandiri, BBD, BDN, BankExim and Bapindo approved the merger plan among Bank Mandiri and the Merged Banks. Based on the deed of merger No. 100 dated July 24, 1999 of Sutjipto, S.H., BBD, BDN, BankExim and Bapindo were merged into Bank Mandiri. The merger was declared effective by the Chief of the South Jakarta Office of the Department of Trade and Industry in his decision letter No. 09031827089 dated July 31, 1999 (see Note 3). The consolidated balance sheet as of August 1, 1999, reflecting the above-mentioned merger, was reviewed by an independent accountant.

On May 28, 1999, the Government issued Government Regulation No. 52 of 1999 which provided for the increase in its capital participation in Bank Mandiri through Government Bonds to be issued by the Minister of Finance with a value of up to Rp 137.8 trillion within the framework of the Government's Recapitalization Program. On December 24, 1999, the Government issued Government Regulation No. 97 of 1999 which provided for the increase in the capital of Bank Mandiri by Rp 42.2 trillion (see Note 4).

On April 8, 2000, Bank Mandiri and the Government signed a Management Contract which provided for, among others, the return by Bank Mandiri of excess Government Bonds amounting to Rp 2.657 trillion or equivalent to 2,657,000 (two million six hundred fifty seven thousand) units, to the Ministry of Finance on April 10, 2000, the effective date of the Management Contract (see Notes 4, 8 and 34a).

Based on the Stockholder's Extraordinary General Meeting held on July 24, 1999 and covered by notarial deed No. 97 of Sutjipto, S.H., the members of Bank Mandiri's Boards of Commissioners and Directors are as follows:

Board of Commissioners		
President Commissioner	:	Binhadi
Commissioner	:	Soedarjono
Commissioner	:	Markus Parmadi
Commissioner	:	Sabana Kartasasmita
Board of Directors		
President Director	:	Robby Djohan
Director	:	I Wayan Pugeg
Director	:	Agus Martowardojo

During the above-mentioned Extraordinary General Meeting, I Wayan Pugeg was also appointed as the Compliance Director of Bank Mandiri.

As of December 31, 1999, Bank Mandiri has a total of 19,606 employees.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. *Basis of Consolidated Financial Statements*

The consolidated financial statements of Bank Mandiri and Subsidiaries have been prepared in conformity with generally accepted accounting principles and, where applicable, prevailing banking industry practices and accounting and reporting guidelines prescribed by the bank regulatory authority.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

The consolidated financial statements have been prepared on the historical cost basis of accounting, except for certain premises and equipment which were revalued based on government regulation, certain securities which are stated at market value, Government Bonds which are stated at index value, certain investments in shares of stock accounted for under the equity method and interest income on non-performing assets which is recorded on cash basis.

The consolidated statements of cash flows present receipts and payments of cash and cash equivalents classified into operating, investing and financing activities, using the indirect method for presentation of cash flows from operating activities. For presentation in the consolidated statements of cash flows, cash and cash equivalents cousist of cash, current accounts with Bank Indonesia, current accounts with other banks, placements with other banks and financial institutions, securities and Government Bonds with original maturities of three (3) months or less at the date of placement.

Effective January 1, 1999, Bank Mandiri and its Subsidiaries present statement of changes in stockholder's equity (capital deficiency) as required under the revised Statement of Financial Accounting Standards (PSAK) No. 1, "Presentation of Financial Statements".

The details of certain accounts disclosed in the Notes herein, mainly pertaining to periods prior to the legal merger, are not presented on a comparative basis due to the non-availability of such information or the impracticability of presenting the same in conformity with the presentation in 1999, after the merger, as explained in Note 3.

b. Principles of Consolidation

The consolidated financial statements include the accounts of Bank Mandiri and its majority-owned Subsidiaries. Significant intercompany balances and transactions have been eliminated.

Subsidiaries included in the consolidated financial statements are as follows:

Names of Subsidiaries	Nature of Business	Domicile	Percentage of Ownership	
			1999	1998
Bank Mandiri (Europe) Limited (formerly BankExim London Branch)	Banking	London	100.00%	- %
PT Bank Syariah Mandiri	Banking	Jakarta	100.00	-
PT Bumi Daya Sekuritas	Securities	Jakarta	65.00	65.00
PT Salindo Perdana Finance	Financing	Jakarta	-	100.00
Staco International Finance Limited, Hong Kong	Financing	Hong Kong	-	100.00

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

Names of Subsidiaries	Nature of Business	Domicile	Percentage of Ownership 1999	Percentage of Ownership 1998
BDN Bank AG, Dusseldorf	Banking	Hamburg	-%	100.00%
Bumi Daya International Finance Limited, Hong Kong	Financial Institution	Hong Kong	-	100.00
BEII (DTC) Limited, Hong Kong	Banking	Hong Kong	-	99.67
PT Bank Merincorp	Banking	Jakarta	-	74.00

Effective July 31, 1999, the accounts of Bank Mandiri (Europe) Limited (formerly BankExim London Branch) were consolidated into Bank Mandiri following the approval of the conversion of the London Branch into a subsidiary.

As of the end of 1999, Bank Mandiri owned almost all shares of stock of PT Bank Syariah Mandiri, originating from the former PT Bank Dagang Negara (Persero). It is not practicable to apply the same accounting policies adopted by Bank Mandiri for PT Bank Syariah Mandiri, which engages in banking activities in accordance with Islamic "Syariah" principles. Hence, no adjustments are made in the latter's financial statements for consolidation purposes.

In 1999, certain Subsidiaries have been excluded from Bank Mandiri's consolidated financial statements due to the following reasons:

Names of Subsidiaries	Reason for Non-Consolidation
Staco International Finance Limited, Hong Kong	In liquidation process
Bumi Daya International Finance Limited, Hong Kong	In liquidation process
BEII (DTC) Limited, Hong Kong	In liquidation process
BDN Bank AG, Dusseldorf	Sold to MM Warburg & Co.
PT Salindo Perdana Finance	Sold to PT Pengelola Investama Mandiri
PT Bank Merincorp	Sold to PT Pengelola Investama Mandiri
PT Usaha Gedung Bank Dagang Negara *)	Immateriality
PT Bumi Daya Plaza *)	Immateriality
PT Asuransi Staco Raharja *)	Immateriality

*) see Note 11

In 1999, investments in the above previously consolidated subsidiaries in the process of liquidation have been accounted for at cost and subsequently written-off against operations.

Staco International Finance Limited, Bumi Daya International Finance Limited and BEII (DTC) Limited were closed following the revocation of their operating licenses by the Hong Kong Monetary Authority and after which, they entered into liquidation proceedings.

Based on the deed of sale dated August 30, 1999, BDN Bank AG, Dusseldorf was sold to MM Warburg & Co.

Based on various deeds of sale and purchase of shares dated July 29, 1999 of Sutjipto S.H., PT Salindo Perdana Finance and PT Bank Mandiri Merincorp were sold to PT Pengelola Investama Mandiri.

Bank Mandiri has five (5) overseas branches in Cook Islands, Cayman Islands, Hong Kong, Singapore and Tokyo. For consolidation purposes, the accounts of these overseas branches and the London Subsidiary were translated into Rupiah on the following bases:

(1) Assets, liabilities, commitments and contingencies - using the middle rates as published by Bank Indonesia at balance sheet date.

(2) Revenues, expenses, gains and losses - using the average middle rates during the months. The year end balances consist of the sum of monthly revenues, expenses, gains and losses during the year.

(3) Stockholder's equity accounts - using historical rates.

(4) Statements of cash flows - using the middle rates as published by Bank Indonesia at balance sheet date, except for income statement accounts which are translated using the average middle rates and stockholder's equity accounts which are translated using historical rates.

The resulting net translation adjustment is reported as "Differences in Foreign Currency Translation" under the Stockholder's Equity section of the consolidated balance sheets.

c. *Transactions with Related Parties*

Bank Mandiri and its Subsidiaries have transactions with certain related parties as defined under PSAK No. 7, "Related Party Disclosures".

All significant transactions with related parties, whether or not conducted under similar terms and conditions as those with third parties, are disclosed in Note 31. Transactions between Bank Mandiri with state-owned/controlled entities and entities related to the Indonesian Bank Restructuring Agency (IBRA) due to bank and corporate restructuring, which are conducted under normal terms and conditions and do not fulfill the definition of related parties as stated in PSAK No. 7 and are not required to be disclosed as transactions with related parties.

d. Allowance for Possible Losses on Earning Assets

Earning assets consist of current accounts with other banks, placements with other banks and financial institutions, securities, Government Bonds, documents and other facilities, loans, and investments in shares of stock, and administrative accounts with lending-related risk. Placements with other banks and financial institutions, securities, Government Bonds, documents and other facilities, loans and investments in shares of stock are defined in Notes 2e, 2f, 2g and 2h.

Administrative accounts with lending-related risk consist of outstanding irrevocable letters of credit, outstanding letters of credit under Bank Indonesia's guarantee program, import draft acceptances, guarantees issued in the form of standby letters of credit, bank guarantees, risk sharing, performance bonds, bid bonds and advanced payment bonds.

Allowance for possible losses on earning assets is provided based on management's review of the quality of the earning assets at the end of the year. The determination of minimum allowance for possible losses on earning assets of Bank Mandiri and Subsidiaries also takes into consideration the guidelines prescribed by Bank Indonesia on the Provision of Allowance for Possible Losses on Earning Assets. Allowance for possible losses on administrative accounts with lending-related risk is recorded under other liabilities.

The allowance for possible losses on earning assets was determined at the following rates:

(1) General reserve, at the minimum, 1% of earning assets classified as current, excluding Bank Indonesia Certificates and Government Bonds.

(2) Special reserves, at the minimum:

a) 5% of earning assets classified as special mention; and
b) 15% of earning assets classified as substandard, net of deductible collateral; and
c) 50% of earning assets classified as doubtful, net of deductible collateral; and
d) 100% of earning assets classified as loss, net of deductible collateral.

The outstanding balances of earning assets are written off against the respective allowance for possible losses when management of Bank Mandiri and Subsidiaries believe that the earning assets are determined to be definitely uncollectible. Recovery of earning assets previously written-off is recorded as an addition to the allowance for possible losses during the year.

Deductible collateral include Rupiah and foreign currency current accounts, savings and time deposits and guarantee payments, which have been blocked under authorizations to undertake clearing, Bank Indonesia Certificates and Government Debentures, 50% of the market value listed on the stock exchanges at the end of the period for securities, certain percentage of the market value and calculated cost of houses, certain percentage of the market value, calculated cost and capitalized earnings for buildings, aircraft and ships.

The classification of earning assets into current, special mention, substandard, doubtful and loss is determined based on the evaluation by Bank Mandiri's and its Subsidiaries' management of each borrower's business prospects, financial condition and ability to repay, and consideration of the guidelines prescribed by Bank Indonesia regarding the quality of earning assets.

e. *Placements with Other Banks and Financial Institutions, Documents and Other Facilities, and Loans*

Placements with other banks and financial institutions represent placements in the form of call money, "fixed terms", time deposits, certificates of deposits and others.

Documents and other facilities represent receivables resulting from contracts for facilities given to customers, which are collectible when due.

Loans represent the provision of money or equivalent receivables under contracts with borrowers, where borrowers are required to repay their debts with interest after a specified period. Restructured loans include interest and other charges converted into principal.

Placements with other banks and financial institutions, documents and other facilities and loans are stated at their outstanding balances net of allowance for possible losses.

f. *Securities*

Securities consist of securities traded in the money market such as mutual fund units, Bank Indonesia Certificates, negotiable certificates of deposits, Commercial Papers, Money Market Securities, other receivables from Bank Indonesia and securities traded in the stock exchanges such as shares of stock and bonds.

Beginning January 1, 1999, in accordance with PSAK No. 50, "Accounting for Certain Investments in Securities", securities are stated based on their respective classifications, as follows:

(1) Securities held for trading purposes are reported at fair value. Unrealized gains (losses) resulting from the increase (decrease) in fair value are recognized in current operations.

(2) Held-to-maturity securities are stated at cost reduced (increased) by for amortization of discount or premium.

(3) Available-for-sale securities are reported at fair value. Unrealized gains or losses resulting from the increase (decrease) in fair value are not recognized in current operations but are presented as a separate component of the stockholder's equity. Unrealized gains or losses are recognized in current operations upon realization.

Any permanent decline in fair value of securities is charged to current operations.

The consolidated financial statements for the year ended December 31, 1998 were not restated in the application of PSAK No. 50 as the related effects are not material.

Securities are stated net of allowance for possible losses and unamortized interest.

g. Government Bonds

Government Bonds represent bonds issued by the Government in connection with the recapitalization of commercial banks. Government Bonds are stated at nominal value, except for bonds which have become available for trading, will be stated at fair value and for hedge bonds which are stated at the exchange rate of the Rupiah against US dollar, as published by Reuters on balance sheet date. As of December 31, 1999, the market value of such bonds is not yet available hence the portion of bonds which has become tradable starting February 1, 2000 and which should be stated at fair value upon commencement of trading in accordance with PSAK No. 50, is stated at nominal value.

The resulting exchange rate loss is credited to "Other Liabilities - Unrealized loss on foreign exchange - Hedge Bonds" and charged to current operations (see Notes 8, 20 and 28).

h. Investments in Shares of Stock

Investments in shares of stock represent long-term investments in non-publicly-listed companies engaged in the financing industry (except those investments of the non-bank Subsidiary) and temporary investments in debtor companies to manage credit losses.

Investments in shares representing ownership interest of 20% to 50% are accounted under the equity method whereby the investments are stated at cost and adjusted for the proportionate share in the net earnings or losses of the investees and reduced by dividends earned since the acquisition date.

Temporary investments in debtor companies to manage credit losses are recorded based on the equity method, less allowance for possible losses.

All other investments are carried at cost reduced by allowance for possible losses.

i. Leases

Lease transactions are accounted for in accordance with PSAK No. 30 on "Accounting for Leases" which prescribes the criteria for capital lease transactions. In line with PSAK No. 30, lease transactions are classified as capital leases by the lessee when all of the following criteria are met:

(1) The lessee has an option to purchase the leased assets at the end of the lease period at a price mutually agreed upon at the commencement of the lease agreement.

(2) Total periodic payments plus residual value fully cover the acquisition cost of leased capital goods plus interest thereon which is the lessor's profit (full pay-out lease).

(3) The lease period covers a minimum of two (2) years.

Lease transactions that do not meet any of the above criteria are reported using the operating lease method.

j. Premises and Equipment

Premises and equipment are stated at cost, except for certain premises and equipment used in operations, which were revalued in accordance with the Decrees of the Minister of Finance of the Republic of Indonesia as follows:

(1) Decree of the Minister of Finance of the Republic of Indonesia No. 057/KMK.017/1996 dated December 15, 1997, for BBD.

(2) Decree of the Minister of Finance of the Republic of Indonesia No. 109/KMK/04/1979 dated March 27, 1979, as of January 1, 1979, for BDN.

(3) The premises and equipment have been revalued three (3) times, the latest based on the Decree of the Minister of Finance of the Republic of Indonesia No. 914/KMK.04/1986 dated October 25, 1986, as of January 1, 1987, for BankExim.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets as follows:

	Years
Landrights	respective terms
Buildings	15 - 50
Furniture, fixtures and office equipment	2 - 5
Vehicles	2 - 5

Construction in progress is stated at cost and presented as part of premises and equipment. The accumulated costs will be reclassified to the appropriate premises and equipment account when the asset is substantially complete and ready for its intended use.

The cost of repairs and maintenance is charged to operations as incurred; significant renewals and betterments are capitalized. When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are reflected in current operations.

k. Prepaid Expenses

Prepaid expenses (included as part of "Other Assets") are amortized over the periods benefited using the straight-line method.

l. Deposits

Demand deposits represent customers' funds which can be used as payment instruments, and which the depositors are entitled to withdraw at any time through check writing, automated teller machines or other means. These are stated at the amounts entrusted by depositors.

Savings deposits represent customers' funds which the depositors are entitled to withdraw under certain conditions. These are stated at the amounts invested by depositors.

Time deposits represent customers' funds which the depositors are entitled to withdraw at specific maturities. These are stated at nominal value based on the agreement with the depositors.

Certificates of deposits represent time deposits covered by negotiable certificates. These are stated at nominal value reduced by unamortized interest.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

m. Interest Income and Expense

Interest income and interest expense are recognized on the accrual basis. Interest income on earning assets classified as non-performing (substandard, doubtful and loss) is recognized upon actual cash collection (cash basis).

Accrued interest income on non-performing assets of Bank Mandiri and Subsidiaries is reported in the consolidated statements of commitments and contingencies.

Based on Bank Indonesia regulation on the quality of earning assets, accrued interest income on earning assets determined to be non-performing is reversed against interest income and charged to current operations when the earning assets are classified as non-performing.

n. Fees and Commissions

Significant fees and commissions which are directly related to lending activities and/or having specific time periods are deferred and amortized using the straight-line method over their respective time periods. The balances of unamortized fees and commissions relating to loans settled prior to maturity are recognized upon settlement. Other fees and commissions which are not directly related to either lending activities or specific time periods are recognized at transaction date.

o. Pension Plan

Bank Mandiri established a defined contribution pension plan covering substantially all of their eligible employees from August 1, 1999, and a defined benefit pension plan which was derived from each Merged Bank's pension plan. The assets from each defined benefit pension plan were carried forward as assets of the Merged Banks' Pension Plan (see Note 30).

Unrecognized past service cost and actuarial adjustments are amortized over the estimated remaining working lives of employees as actuarially determined.

p. Foreign Currency Transactions and Balances

Transactions involving foreign currencies are recorded at the rates of exchange prevailing at the time the transactions are made. At balance sheet date, monetary assets and liabilities denominated in foreign currencies are adjusted to Rupiah to reflect the prevailing rates of exchange as published by Bank Indonesia at the last banking transaction date for the year. The resulting gains or losses are credited or charged to current operations.

As of December 31, 1999, the exchange rate used was Rp 7,100 (seven thousand one hundred Rupiah) to US$ 1 (one US dollar) computed by taking the average of the buying and selling rates for bank notes and export bills as of December 30, 1999, the last transaction date for the year. (As of December 31, 1998, the exchange rate used was Rp 8,025 (eight thousand twenty five Rupiah) to US$ 1 (one US dollar) by BDN, BBD and Bapindo, and Rp 8,068 (eight thousand sixty eight Rupiah) to US$ 1 (one US dollar) by BankExim).

Gains or losses from forward foreign exchange transactions resulting from the difference between the contracted forward rate and the exchange rate at balance sheet date are credited or charged to current operations.

q. Provision for Income Tax

Provision for income tax is determined on the basis of estimated taxable income for the year. No deferred tax is provided by Bank Mandiri and Subsidiaries for the temporary differences in the recognition of income and expenses for financial reporting and income tax purposes.

On December 23, 1997, the Indonesian Institute of Accountants (IAI) issued PSAK No. 46 on "Accounting for Income Tax" which is effective on January 1, 1999 for public companies and January 1, 2001 for non-public companies. PSAK No. 46 requires recognition and measurement of deferred tax assets and liabilities for the expected future tax consequences of events recognized in the financial statements, including tax loss carryforwards. The amount of the effects of this new PSAK on the consolidated financial statements has not been determined yet.

3. BANK MANDIRI MERGER AND ADJUSTMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

At the end of February 1998, the Government announced its plan to restructure the Merged Banks.

In connection with such restructuring plan, the Government established Bank Mandiri in October 1998 through the payment of cash and the acquisition of the Republic of Indonesia's shares of stock in the Merged Banks (see Note 23). Due to impracticability, the difference between the transfer price and the book value of the shares of stock at the time of the acquisition was not calculated. All losses incurred during the year of acquisition were recognized as deficit and have been taken into account in the recapitalization program (see Note 4).

The above-mentioned restructuring plan provided for, among others, the merger of the Merged Banks into Bank Mandiri in July 1999 and the recapitalization of Bank Mandiri to enable it to operate as a sound bank without a negative equity (see Note 4). The restructuring of the Merged Banks and Bank Mandiri also covered the following:

a. Restructuring of loans (see also Note 34c).
b. Restructuring of non-loan assets.
c. Rationalization of domestic and overseas offices (see also Note 2b).
d. Rationalization of human resources (see also Note 27).

Based on the merger deed No. 100 of Sutjipto, S.H. dated July 24, 1999, the Merged Banks were legally merged into Bank Mandiri. The merger deed was legalized by the Minister of Justice in his decision letter No. C-13.781.HT.01.04.TH.99 dated July 29, 1999 and approved by the Governor of Bank Indonesia in his decision letter No.1/9/KEP.GBI/1999 dated July 29, 1999. The merger was declared effective by the Chief of the South Jakarta Office of the Ministry of Trade and Industry in his decision letter No. 09031827089 dated July 31, 1999. Effective on the same date, the Merged Banks were legally dissolved without the process of liquidation and Bank Mandiri, as the surviving bank, received the rights, obligations and equity of the Merged Banks. As the merger became effective, Bank Mandiri received additional paid-up capital from each of the Merged Banks amounting to Rp 1,000,000 (one million Rupiah) or equivalent to one (1) share each (see Note 23).

The following accounts as of December 31, 1998 have been adjusted to reflect their consolidation into Bank Mandiri as of the said date:

Account		As Previously Reported		As Adjusted
Additional paid-in capital	Rp	22,679,238	Rp	4
Donated capital		811,798		-
Revaluation increment in premises and equipment		20,122		-
Deficit	(	129,044,712)	(	105,533,558)

4. RECAPITALIZATION OF BANK MANDIRI

In response to the effects of the adverse economic conditions in Indonesia on the banking sector (see Note 35), on December 31, 1998, the Government issued Regulation No. 84 of 1998 concerning its Recapitalization Program for Commercial Banks, which was designed to increase the paid-up capital of Commercial Banks to enable them to meet the minimum required Capital Adequacy Ratio (CAR). The eligibility of Commercial Banks for inclusion in the recapitalization program is based on requirements and procedures set forth in the Joint Decrees No. 53/KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 of the Minister of Finance and the Governor of Bank Indonesia. Under the Joint Decrees, the Government, among others, shall implement the Recapitalization Program for Commercial Banks with respect to all State-Owned Banks, Regional Development Banks and Commercial Banks which have been taken over by IBRA.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
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On May 28, 1999, the Government issued Government Regulation No. 52 of 1999 (GR No. 52/1999) which provided for the increase in the Republic of Indonesia's capital participation in Bank Mandiri through Government Bonds to be issued by the Minister of Finance with a value of up to Rp 137.8 trillion. The implementation of GR No. 52/1999 is set forth in Joint Decrees No. 389/KMK.017/1999 and No.1/10/KEP/GBI dated July 29, 1999 of the Minister of Finance and the Governor of Bank Indonesia.

During the period the above-mentioned bonds have not yet been issued, Bank Mandiri accounted for such bonds as "Due from the Government" in its balance sheet amounting to Rp 137.8 trillion in accordance with the Government's Commitment through the Ministry of Finance's letter No. S-360/MK.017/1999 dated September 29, 1999 and the approval of the State Minister for Investments of State-Owned Enterprises in his letter No. S-510/M-PBUMN/1999 dated September 29, 1999.

Based on Bank Indonesia Letter No. 1/1/GBI/DPIP dated October 11, 1999, concerning the issuance of Bonds/Government Debentures in connection with the Republic of Indonesia's investment in Bank Mandiri, Bank Indonesia agreed that the above investment be included in Bank Mandiri's core capital (Tier 1) for purposes of calculating its Capital Adequacy Ratio (CAR) as of the end of July 1999 up to September 30, 1999, subject to the condition that not later than October 15, 1999, the Bonds/Government Debentures should have been received by Bank Indonesia.

Based on Government Regulation No. 97 of 1999 dated December 24, 1999, concerning the increase in the Republic of Indonesia's investment in shares of stock of Bank Mandiri within the framework of the recapitalization program, the Republic of Indonesia increased investment would amount to a maximum of Rp 42.2 trillion, such that the total maximum investment would amount to Rp 180 trillion.

In connection with the implementation of the above Government Regulations No. 52 and No. 97 of 1999, in accordance with the Interim Recapitalization Agreement between the Government and Bank Mandiri and its amendment, the Indonesian Government issued Government Bonds in two (2) tranches, that is, Rp 103 trillion on October 12, 1999 and Rp 75 trillion on December 28, 1999, so that as of December 31, 1999, the total Government Bonds issued based on above-mentioned Agreements amount to Rp 178 trillion (see Note 8).

Based on the Management Contract dated April 8, 2000, between Bank Mandiri and the Government, the total amount of recapitalization required by Bank Mandiri is Rp 173.931 trillion, or resulting in an excess of Rp 4.069 trillion. Of such excess, Rp 1.412 trillion is to be retained to cover the deficiency in paid-up capital as stipulated in Bank Mandiri's Articles of Association, whereas the balance of Rp 2.657 trillion is required to be returned to the Government in the form of Government Bonds equivalent to 2,657,000 (two million six hundred fifty seven thousand) units. The amount to be retained to cover the deficiency in paid-up capital as stipulated in Bank Mandiri's Articles of Association is subject to the conduct of a legal audit not later than Bank Mandiri's Initial Public Offering of its shares (see Note 34a).

5. CURRENT ACCOUNTS WITH BANK INDONESIA

Current accounts with Bank Indonesia consist of the following:

	1999		1998	
Rupiah	Rp	6,484,403	Rp	7,320,339
United States Dollar		1,476,044		1,513,525
Total	Rp	7,960,447	Rp	8,833,864

6. PLACEMENTS WITH OTHER BANKS AND FINANCIAL INSTITUTIONS

Placements with other banks and financial institutions by type consist of the following:

	1999		1998	
Rupiah				
Call money	Rp	48,040	Rp	831,493
"Fixed terms"		168		231,000
Others		-		72,236
		48,208		1,134,729
Foreign currencies				
"Fixed terms"		1,631,753		1,909,379
Call money		1,251,523		425,326
Time deposits		60,997		5,770,804
Certificates of deposits		36,866		18,142
Others		23,001		602,359
		3,004,140		8,726,010
Total		3,052,348		9,860,739
Less allowance for possible losses	(	59,725)	(	1,486,643)
Net	Rp	2,992,623	Rp	8,374,096

The details by collectibility of the placements with other banks and financial institutions as of December 31, 1999 are as follows:

Current	Rp	3,019,842
Loss		32,506
Total		3,052,348
Less allowance for possible losses	(	59,725)
Net	Rp	2,992,623

Management believes that the allowance for possible losses is adequate.

7. SECURITIES

Securities by type consist of the following:

	1999	1998
Rupiah		
Held-to-maturity		
Bank Indonesia Certificates	Rp 4,264,489	Rp 2,356,801
Other receivables from Bank Indonesia	-	2,365,895
Money market securities	-	705,086
Commercial papers	-	203,000
Certificates of deposits	-	62,611
Others	12,419	281,958
	4,276,908	5,975,351
Trading		
Bonds	936,128	754,957
Investments in mutual fund units	35,330	35,000
Shares	1	531,112
	971,459	1,321,069
	5,248,367	7,296,420
Foreign currencies		
Held-to-maturity		
Commercial paper	1,297,102	373,948
Bonds	276,278	1,944,809

		1999		1998
Promissory notes	Rp	196,363	Rp	1,858,643
Certificates of deposits		-		140,589
Others		491,797		2,117,421
		2,261,540		6,435,410
		7,509,907		13,731,830
Allowance for decline in market value	(	18,001)	(	5,274)
Total		7,491,906		13,726,556
Less:				
Unamortized interest	(	11,219)	(	37,883)
Allowance for possible losses	(	653,624)	(	5,388,271)
	(	664,843)	(	5,426,154)
Net	Rp	6,827,063	Rp	8,300,402

The details by collectibility and period of the securities as of December 31, 1999 are as follows:

1) Collectibility

Current	Rp	6,412,559
Loss		1,097,348
		7,509,907
Allowance for decline in market value	(	18,001)
Total		7,491,906
Less:		
Unamortized interest	(	11,219)
Allowance for possible losses	(	653,624)
	(	664,843)
Net	Rp	6,827,063

2) Period

Rupiah		
Less than 1 year	Rp	4,622,613
1 - 5 years		431,251
Over 5 years		194,503
		5,248,367
Foreign currency		
Less than 1 year		2,261,540
		7,509,907
Allowance for decline in market value	(	18,001)
Total		7,491,906
Less:		
Unamortized interest	(	11,219)
Allowance for possible losses	(	653,624)
	(	664,843)
Net	Rp	6,827,063

Management believes that the allowance for possible losses is adequate.

8. GOVERNMENT BONDS

As of December 31, 1999, this account consists of bonds stated at nominal value (except for Hedge Bonds) issued by the Government to Bank Mandiri in connection with its recapitalization program in 1999, with details as follows:

Held-to-maturity	Rp	160,200,000
Trading		3,800,000
Total	Rp	164,000,000

In the context of the above-mentioned recapitalization program, the Minister of Finance implemented an increase in the Republic of Indonesia's paid-up capital in Bank Mandiri through the issuance of Government Bonds to Bank Indonesia and the payment of cash by Bank Indonesia to Bank Mandiri as additional paid-up capital of the Republic of Indonesia. Bank Mandiri used all such cash payment to buy the Government Bonds from Bank Indonesia. This transaction was simultaneously carried out through the Government's and Bank Mandiri's accounts in Bank Indonesia in two tranches, on October 12, 1999 and December 28, 1999 (see Note 4).

The Government Bonds may be used by Bank Mandiri to settle obligations but may not be used to increase assets (see Note 34a), except for Government Bonds classified at available for trading based on prevailing regulations.

The details of Government Bonds are as follows (amounts in billions of Rupiah):

	Serial No	Nominal	Interest Rate	Maturity Date	Interest Payment Frequency
Fixed Rate Bonds	FR 0001	Rp 20,243	12%	9/15/2004	6 months
	FR 0002	22,368	14	6/15/2009	6 months
		42,611			
Variable Rate Bonds	VR 0001	3,208	SBI 3 months	7/25/2002	3 months
	VR 0002, VR 0003	7,069	SBI 3 months	2/25/2003 and 6/25/2003	3 months
	VR 0004, VR 0005, VR 0006	13,213	SBI 3 months	1/25/2004, 5/25/2004 and 12/25/2004	3 months
	VR 0007, VR 0008	11,310	SBI 3 months	4/25/2005 and 11/25/2005	3 months
	VR 0009, VR 0010	13,594	SBI 3 months	3/25/2006 and 10/25/2006	3 months
	VR 0011, VR 0012	16,421	SBI 3 months	2/25/2007 and 9/25/2007	3 months
	VR 0013, VR 0014, VR 0015	31,917	SBI 3 months	1/25/2008, 8/25/2008 and 12/25/2008	3 months
	VR 0016	12,017	SBI 3 months	7/25/2009	3 months
		108,749			
Hedge Bonds	HB 0001, HB 0002, HB 0003, HB 0004	8,880	SIBOR + 2%	3/25/2000, 6/25/72000, 9/25/2000 and 12/25/2000	3 months
	HB 0005, HB 0006, HB 0007, HB 0008	8,880	SIBOR + 2%	3/25/2001, 6/25/2001, 9/15/2001 and 12/25/2001	3 months
	HB 0009, HB 0010, HB 0011, HB 0012	8,880	SIBOR + 2%	3/25/2002, 6/25/2002, 9/25/2002 and 12/25/2002	3 months
		26,640			
Total		Rp 178,000			

Beginning February 1, 2000, the FR 0001, VR 0001, VR 0002 and VR 0005 bonds became available for trading in the secondary market based on Bank Indonesia Letter No. 2115/DPM dated January 26, 2000 on "Government Bonds Trading Agreement" (see Note 37a). Under the agreement, Bank Mandiri may trade a total of Rp 675 billion worth of Government Bonds. As of December 31, 1999, the market price for such Government Bonds is not yet available.

Of the total Government Bonds amounting to Rp 178 trillion, Rp 14 trillion, consisting of variable and fixed rate bonds amounting to Rp 7 trillion each, were sold directly to Bank Indonesia and are required to be purchased by Bank Mandiri within six (6) months from December 28, 1999 (see Note 34b).

Government Bonds totaling Rp 3.175 trillion were pledged on loans from other banks, with the details as follows (amounts in billions of Rupiah):

No.	Serial No.	Bank	Principal	Terms of Bonds	Pledged Terms
1.	PR 0002	PT Bank Panin	Rp 1,000	October 13, 1999 – June 15, 2009	December 16, 1999 – March 16, 2000
		PT BII	300		December 16, 1999 – June 16, 2000
		PT BII	200		December 21, 1999 – March 21, 2000
		PT Bank Panin	1,000		December 23, 1999 – March 23, 2000
2.	VR 0001	Standard Chartered Bank	472.5	October 13, 1999 – July 25, 2002	December 20, 1999 – March 20, 2000
		Standard Chartered Bank	202.5		December 20, 1999 – June 20, 2000
	Total		Rp 3,175		

The outstanding Government Bonds include Hedge Bonds amounting to Rp 26.640 trillion, with the principal restated at balance sheet date based on the index exchange rate of Rupiah to United States dollar as published by Reuters on balance sheet date. The decline in Hedge Bonds as of December 31, 1999 amounting to Rp 647,500 is recorded under "Other Liabilities - Unrealized Loss on Foreign Exchange - Hedge Bonds" (see Note 20).

9. DOCUMENTS AND OTHER FACILITIES

Documents and other facilities consist of the following:

	1999	1998
Rupiah		
Export bills	Rp 35,737	Rp 191,566
Others	2,588	2,943
	38,325	194,509
Foreign currencies		
Export bills	437,290	328,686
Discounted export bills	357,643	882,850
Others	62,182	5,188
	857,115	1,216,724
Total	895,440	1,411,233
Less allowance for possible losses	(619,910)	-
Net	Rp 275,530	Rp 1,411,233

The details by collectibility of documents and other facilities as of December 31, 1999 are as follows:

Current	Rp	786,606
Loss		108,834
Total		895,440
Less allowance for possible losses	(	619,910)
Net	Rp	275,530

Management believes that the allowance for possible losses is adequate.

10. LOANS

Loans consist of the following:

		1999		1998
Rupiah	Rp	26,066,737	Rp	77,114,431
Foreign currencies		17,955,925		57,121,015
Total		44,022,662		134,235,446
Less allowance for possible losses	(	22,131,786)	(	77,686,018)
Net	Rp	21,890,876	Rp	56,549,428

The details of loans by type, economic sector, period and collectibility as of December 31, 1999 are as follows:

1) By type

Rupiah		
Investment	Rp	9,294,102
Working capital		8,263,532
Government program		3,898,134
Export		3,064,973
Consumer		588,558
Syndicated		583,911
Employees		352,764
Others		20,763
		26,066,737

Foreign currencies		
Investment	Rp	7,621,098
Working capital		7,414,073
Export		1,759,705
Syndicated		1,160,387
Consumer		425
Employees		237
		17,955,925
Total		44,022,662
Less allowance for possible losses	(	22,131,786)
Net	Rp	21,890,876

2) *By Economic Sector*

Rupiah		
Manufacturing	Rp	9,170,653
Agriculture		5,890,655
Trading, restaurant and hotel		4,907,677
Construction		1,826,464
Other services		1,773,885
Transportation, warehousing and communication		1,135,347
Electricity, gas and water		296,232
Social services		200,539
Mining		133,787
Others		731,498
		26,066,737
Foreign Currencies		
Manufacturing		7,717,185
Trading, restaurant and hotel		2,398,010
Transportation, warehousing and communication		1,168,815
Other services		783,289
Construction		679,685
Agriculture		564,794
Electricity, gas and water		366,146

Mining	Rp	257,327
Social services		2,130
Others		4,018,544
		17,955,925
Total		44,022,662
Less allowance for possible losses	(	22,131,786)
Net	Rp	21,890,876

3) *By Period (Agree with Loan Agreement)*

Rupiah		
Less than 1 year	Rp	8,596,772
1 - 2 years		1,677
2 - 5 years		4,969
Over 5 years		17,463,319
		26,066,737
Foreign Currencies		
Less than 1 year		4,358,110
1 - 2 years		43,288
2 - 5 years		20,234
Over 5 years		13,534,293
		17,955,925
Total		44,022,662
Less allowance for possible losses	(	22,131,786)
Net	Rp	21,890,876

4) *By Collectibility*

Current	Rp	8,803,292
Special mention		4,033,229
Substandard		5,397,942
Doubtful		4,399,505
Loss		21,388,694
Total		44,022,662
Less allowance for possible losses	(	22,131,786)
Net	Rp	21,890,876

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Significant information related to the loans is as follows:

a. The annual average interest rate was 29.64% in 1999 (and 25.33 % in 1998) for Rupiah loans and 13.81% in 1999 (and 14.84% in 1998) for foreign currency loans.

b. The loans are generally collateralized by registered mortgages or by powers of attorney to mortgage or sell, time deposits or other guarantees acceptable to Bank Mandiri. Certain collateral mortgages are covered by insurance policies which have been provided with banker's clauses.

c. Working capital and investment loans represent loans to customers for working capital and capital goods requirements.

d. Consumer loans consist of housing, car and personal loans.

e. The syndicated loans represent loans provided to customers under syndication agreements with other banks. Bank Mandiri's share as lead manager in syndicated loans ranged from 4.50% to 78.00% of the total syndicated loans in 1999. Bank Mandiri's total participation in syndicated loans ranged from 0.06% to 60.00% of the total syndicated loans in 1999.

f. Government program loans consist of small-scale investment loans, investment loans, permanent working capital loans and working capital loans.

g. The loans to Bank Mandiri employees consist of interest-bearing loans which are intended for acquisitions of vehicles, houses and other personal properties with maturities ranging from one (1) to twenty-three (23) years. The loans are collected through monthly payroll deductions.

h. Loans to related parties amounted to Rp 2,403,198 as of December 31, 1999 (and Rp 615,870 as of December 31, 1998) (see Note 31).

i. As of December 31, 1999, Bank Mandiri has restructured loans amounting to Rp 29,827,875 with allowance for doubtful accounts provided amounting to Rp 15,793,895. Loans in the process of restructuring amounted to Rp 13,297,709 with allowance for doubtful accounts provided amounting to Rp 8,215,027. Interest and the related expenses incurred for the restructuring were converted into loan principal. Total loans restructured through debt-to-equity participation amounted to Rp 289,972.

j. According to its report (unaudited), as of December 31, 1999, Bank Mandiri has one (1) related party group debtor and one (1) related party individual debtor, as well as one (1) third party group debtors, who have exceeded the Legal Lending Limit (LLL) based on prevailing Bank Indonesia regulations.

k. A summary of changes in the allowance for possible loan losses for the five months ended December 31, 1999 is as follows:

Balance, August 1, 1999	Rp	22,973,003
Provision during the period		11,820,735
Loan recoveries		762,555
Loans written-off	(	13,642,330)
Translation adjustments		217,823
Balance, December 31, 1999	Rp	22,131,786

As explained in Note 2d, allowance for possible losses is provided based on management's review and evaluation of the collectibility and realizable value of the respective loan balances at the end of the year. In determining the total amount of allowance for possible loan losses, Bank Mandiri refers to Bank Indonesia regulations on allowance for possible losses on earning assets.

Management believes that the allowance for possible losses is adequate.

11. INVESTMENTS IN SHARES OF STOCK

The details of investments in shares of stock are as follows:

	1999	1998
Equity method	Rp 320,938	Rp 520,080
Cost method	252,201	39,674
Total	573,139	559,754
Less allowance for possible losses	(323,767)	(9,104)
Net	Rp 249,372	Rp 550,650

The details of investments in shares of stock as of December 31, 1999 are as follows:

Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses)	Carrying Value
Equity Method					
PT Pabrik Gula Rajawali III a)	Plantation	66.67%	Rp 400,000	(Rp 114,166)	Rp 285,834
PT Exim SB Leasing	Financing	50.00	25,000	236	25,236
PT Bapindo Bumi Sekuritas	Securities	26.19	2,750	703	3,453
PT Kertas Padalarang a)	Pulp and Paper Industry	51.00	26,500	(23,221)	3,279
Others a)		-	3,116	20	3,136
					320,938

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Investee Company	Nature of Business	Percentage of Ownership	Cost	Accumulated Equity in Net Earnings (Losses)	Carrying Value
Cost Method					
Bumi Daya International Finance Limited, Hong Kong	Financial Institution	100.00%	Rp 196,821	Rp -	Rp 196,821
Staco International Finance Limited	Financial Institution	100.00	27,334	-	27,334
Pacific Andes International Holding Limited	Holding	3.70	6,797		6,797
PT Asuransi Staco Raharja b)	Insurance	100.00	5,000	-	5,000
PT Usaha Gedung Bank Dagang Negara b)	Building Management	99.00	4,841	-	4,841
PT Bumi Daya Plaza b)	Building Management	93.33	4,375	-	4,375
PT Kustodian Sentral Efek Indonesia	Security Deposits	11.00	3,300	-	3,300
PT Exim Securities	Securities	18.18	2,000	-	2,000
BEJI (DTC) Limited	Banking	99.00	1,548	-	1,548
PT Bursa Efek Surabaya	Stock Exchange	2.22	75	-	75
PT Bursa Efek Jakarta	Stock Exchange	0.50	60	-	60
PT Pemeringkat Efek Indonesia	Securities Rating	0.03	50		50
					252,201
Total					573,139
Less allowance for possible losses					(323,767)
Net					Rp 249,372

a) Investments in PT Pabrik Gula Rajawali III, PT Kertas Padalarang and others represent restructured loans through debt to equity participation (see Note 10). Such investments are temporary investments for a maximum of five (5) years based on Bank Indonesia regulations. Accordingly, such investments are accounted for using the equity method regardless of the percentage of ownership. Bank Mandiri has provided allowance for possible losses on such investments of Rp 285,879 in 1999.

b) Investments in PT Asuransi Staco Raharja, PT Usaha Gedung Bank Dagang Negara and PT Bumi Daya Plaza are recorded at cost and are not consolidated, even though the percentage of ownership is more than 50%, since their amounts are immaterial.

On July 29, 1999, invesments in PT Panca Bina Esa, PT Bapindo Loka Sentra Leasing, Indonesian Finance and Investment Company, PT Bina Usaha Indonesia, PT Kliring Deposit Efek Indonesia, PT Bumi Daya – IBJ Leasing, PT Bank Paribas BBD, PT Koexim BDN Finance, PT Bayu Beringin Lestari, PT Bank Indovest Tbk., PT Tahta Medan, PT Salindo Perdana Finance, PT Bank Merincorp and PT Dystar Cilegon were transferred to PT Pengelola Investama Mandiri, a company owned by PT Usaha Gedung Bank Dagang Negara and PT Bumi Daya Plaza, for a total consideration of Rp 100 (one hundred Rupiah) each.

The classification of investments in shares of stock by collectibility as of December 31, 1999 is as follows:

Current	Rp	251,625
Loss		321,514
Total		573,139
Less allowance for possible losses	(	323,767)
Net	Rp	249,372

Management believes that the allowance for possible losses is adequate.

12. PREMISES AND EQUIPMENT

Premises and equipment consist of the following:

1999	Beginning Balance	Net Additions (Deductions)	Ending Balance
Carrying Value			
Direct Ownership			
Landrights	Rp 303,007	(Rp 46,203)	Rp 256,804
Buildings	563,611	316,587	880,198
Furniture, fixtures and office equipment	1,110,333	(71,267)	1,039,066
Vehicles	26,798	21,240	48,038
Construction in progress	143,751	(100,929)	42,822
Total	2,147,500	119,428	2,266,928
Capital leases	37,666	(21,990)	15,676
Total Carrying Value	2,185,166		2,282,604
Accumulated Depreciation and Amortization			
Direct Ownership			
Landrights	5,570	(4,658)	912
Buildings	239,650	76,474	316,124
Furniture, fixtures and office equipment	713,236	51,158	764,394
Vehicles	24,973	18,861	43,834
Total	983,429	141,835	1,125,264
Capital leases	12,139	(1,245)	10,894
Total Accumulated Depreciation and Amortization	995,568	140,590	1,136,158
Net Book Value	Rp 1,189,598		Rp 1,146,446

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1998	Beginning Balance	Net Additions (Deductions)	Ending Balance
Carrying Value			
Direct Ownership			
Landrights	Rp 233,285	Rp 69,722	Rp 303,007
Buildings	533,372	30,239	563,611
Furniture, fixtures and office equipment	865,939	244,394	1,110,333
Vehicles	23,917	2,881	26,798
Construction in progress	219,866	(76,115)	143,751
Total	1,876,379	271,121	2,147,500
Capital leases	-	37,666	37,666
Total Carrying Value	1,876,379		2,185,166
Accumulated Depreciation and Amortization			
Direct Ownership			
Landrights	-	5,570	5,570
Buildings	211,609	28,041	239,650
Furniture, fixtures and office equipment	339,020	374,216	713,236
Vehicles	210,040	(185,067)	24,973
Total	760,669	222,760	983,429
Capital leases	-	12,139	12,139
Total Accumulated Depreciation	760,669	234,899	995,568
Net Book Value	Rp 1,115,710		Rp 1,189,598

Depreciation and amortization of premises and equipment charged to operations amounted to Rp 320,640 in 1999 (and Rp 224,402 in 1998) (see Note 26).

Based on the "Memoranda of Agreement on the Transfer of Assets" dated July 29, 1999 between PT Pengelola Harta Tetap Mandiri, a company owned by PT Usaha Gedung Bank Dagang Negara and PT Bumi Daya Plaza, with the Merged Banks, the sale and purchase of certain land and buildings were based on a consideration of Rp 100 (one hundred Rupiah) each.

13. OTHER ASSETS (OTHERS)

Other assets (others) consist of the following:

	1999	1998
Rupiah		
Interbranch accounts - net	Rp 7,158,009	Rp 2,274,190

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		1999		1998
Office supplies	Rp	27,784	Rp	30,867
Deferred charges		8,030		123,262
Receivable from Bank Indonesia		-		613,725
Others		88,485		1,442,971
		7,282,308		4,485,015
Foreign currencies				
Interbranch accounts - net		1,776,045		4,517,686
Notes received to be sent		141,918		-
Travels cheque, draft and rediscounted export bills		-		821,385
Others		409,987		14,015
		2,327,950		5,353,086
Total	Rp	9,610,258	Rp	9,838,101

The interbranch accounts above mainly consist of open items among branches. Bank Mandiri's management has provided a provision on the above-mentioned open items of Rp 2,611,703 and is of the opinion that the provision provided is adequate.

14. DEMAND DEPOSITS

Demand deposits consist of the following:

		1999		1998
Rupiah	Rp	14,089,484	Rp	13,939,366
Foreign currencies		5,766,566		4,293,752
Total	Rp	19,856,050	Rp	18,233,118

Annual average interest rate in 1999 was 5.00% for Rupiah demand deposits and 2.10% for foreign currency demand deposits.

As of December 31, 1999, related party demand deposits amount to Rp 23,905 (see Note 31).

15. SAVINGS DEPOSITS

Savings deposits consist of the following:

	1999		1998	
Tabungan BDN	Rp	5,977,631	Rp	3,976,500
Tabungan Jumbo		2,663,611		1,729,875
Exim Save		1,947,221		1,161,668
Tabungan Budaya		1,476,715		996,072
Tabanas Exim		731,713		407,653
Tabungan Mitra		723,686		-
Mandiri Saving		633,348		-
Tabungan BDN Pas		77,401		45,261
Tabungan Pelajar		20,561		14,353
Link Exim		19,087		-
Tabungan Mudharabah		18,576		-
Tabungan Jumbo		-		420,293
Others (each below Rp 10,000)		15,723		44,092
Total	Rp	14,305,273	Rp	8,795,767

Annual average interest rate in 1999 was 9.00% for Rupiah savings deposits and 4.25% for foreign currency savings deposits.

As of December 31, 1999, related party savings deposits amount to Rp 10,626 (see Note 31).

16. TIME DEPOSITS

Time deposits consist of the following:

	1999		1998	
Rupiah	Rp	96,733,947	Rp	91,694,841
Foreign currencies		16,545,084		28,810,910
Total	Rp	113,279,031	Rp	120,505,751

The details of time deposits as of December 31, 1999 by maturity are as follows:

Rupiah		
1 month	Rp	57,101,272
3 months		14,072,349
6 months		15,423,056
12 months		8,209,887
Over 12 months		1,927,383
		96,733,947

Foreign currencies		
1 month	Rp	14,048,228
3 months		1,227,107
6 months		556,541
12 months		680,591
Over 12 months		32,617
		16,545,084
Total	Rp	113,279,031

Annual average interest rate in 1999 was 12.98% for Rupiah time deposits and 5.50% for foreign currency time deposits.

As of December 31, 1999, related party time deposits amount to Rp 510,107 (see Note 31).

17. TAXES PAYABLE

Taxes payable consist of the following:

	1999		1998	
Bank Mandiri				
Income taxes				
Article 21	Rp	23,642	Rp	486
Article 22		1,492		-
Article 23/26		154,100		36,122
Article 25		-		262
Article 29		2,996,570		66,714
Value added tax		1,138		245
Land and building tax		3,971		-
Others (overseas branches)		99		42
Subsidiaries		1,049		391
Total	Rp	3,182,061	Rp	104,262

The income tax - Article 29 above consists of the following tax assessments:

Year	Amount	
1994	Rp	296,316
1995		163,549
1996		995,357
1997		1,541,348
Total	Rp	2,996,570

No provision for income tax was provided by Bank Mandiri for the year ended December 31, 1999 since it is in a fiscal loss position.

18. FUND BORROWINGS

Fund borrowings consist of the following:

		1999		1998
Rupiah				
Placements by other banks (a)				
Call money	Rp	6,459,350	Rp	1,595,515
Time deposits		4,327,159		202,300
Bank Indonesia (b)		2,257,491		3,369,300
Others		-		27,030
		13,044,000		5,194,145
Foreign currencies				
Exchange Offer Loan (d)		7,009,994		-
Placements by other banks - time deposits (a)		1,301,960		-
Bank Indonesia (b)		-		1,205,546
Others (c)		6,550,055		12,642,320
		14,862,009		13,847,866
Total	Rp	27,906,009	Rp	19,042,011

(a) Placements by Other Banks

This account represents fund borrowings which arose from money market placements. Placements by other banks include pledged time deposits for Government Bonds (see Note 8).

The average interest rate in 1999 is 15.30% on Rupiah placements and 7.65% on foreign currency placements.

(b) Bank Indonesia

This account represents credit facilities obtained from Bank Indonesia which were re-loaned to Bank Mandiri customers. The details of this account are as follows:

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		1999		1998
Rupiah				
Investment Loans (KI)	Rp	1,516,507	Rp	1,809,155
Small-scale Investment Loans (KIK)		455,698		7,797
Small-scale Working Capital Loans (KUK) - KKPA		159,709		68,392
Government Guarantee		116,441		718,373
Working Capital Loans (KMK)		9,136		765,583
		2,257,491		3,369,300
Foreign currencies				
Ex-BI liquidity support		-		1,205,546
Total	Rp	2,257,491	Rp	4,574,846

Interest rate for 1999 ranged from 3.00% to 9.60%.

(c) Others

This account consists of the following:

		1999		1998
Foreign currencies				
Credit line	Rp	3,399,360	Rp	632,432
Floating rate certificates of deposits		1,050,406		3,531,000
Perpetual floating rate notes		887,500		1,003,125
Trade facility		91,960		358,635
Direct offshore loans		3,529		341,883
Term loans		-		527,644
Others		1,117,300		6,247,601
Total	Rp	6,550,055	Rp	12,642,320

The floating rate certificates of deposits and perpetual floating rate notes will mature on different dates, the latest being undated. Interest rate is determined on every maturity date based on LIBOR plus a certain margin for the period.

Other borrowings will mature on different dates, the latest in 2009.

(d) Exchange Offer Loan

In accordance with the Government's debt restructuring program for banks, Bank Mandiri exchanged certain non-Rupiah denominated obligations obtained from foreign banks, for new borrowings with extended maturities and guarantees by Bank Indonesia pursuant to the exchange offer memorandum in the Master Loan Agreement as follows:

	Rupiah Equivalent	
Exchange Offer Loan I	Rp	1,431,917
Exchange Offer Loan II		5,578,077
Total	Rp	7,009,994

Exchange Offer Loan I (with original maturities before April 1, 1999) will become due in four (4) tranches every August 25 from 1999 to 2002, Exchange Offer Loan II (with original maturities before January 1, 2002) will mature in four (4) tranches every June 1 from 2002 to 2005. These borrowings bear interest calculated every six months equal to six-months LIBOR for the period plus applicable margin determined for each maturity period.

19. SECURITIES ISSUED

Securities issued consist of the following:

	1999		1998	
Rupiah				
Money market securities	Rp	-	Rp	53,900
Others		-		1,242,937
		-		1,296,837
Foreign currencies				
Floating rate notes (see Note 18d)		5,466,955		3,487,628
Commercial papers		8,171		3,317
Money market securities		-		432,548
Others		-		2,388
		5,475,126		3,925,881
Total	Rp	5,475,126	Rp	5,222,718

The floating rate notes include the following Exchange Offer Loan:

		Rupiah Equivalent
Exchange Offer Loan I	Rp	854,841
Exchange Offer Loan II		1,842,271
Total	Rp	2,697,112

20. OTHER LIABILITIES

Other liabilities consist of the following:

		1999		1998
Rupiah				
Interbranch accounts	Rp	9,305,004	Rp	4,159,056
Allowance for possible losses on administrative accounts with lending -related risk (see Note 2d)		4,477,470		1,886,530
Accrued merger costs		1,832,689		-
Unrealized loss on foreign exchange - Hedge Bonds (see Notes 8 and 28)		647,500		-
Credit note in settlement		150,580		175,657
Guarantee deposits		94,677		348,662
Unearned income		94,227		503,938
Others		389,881		2,147,773
		16,992,028		9,221,616
Foreign currencies				
Accrued merger costs		505,180		-
Guarantee deposits		319,099		230,478
Allowance for possible losses on administrative accounts with lending -related risk (see Note 2d)		200,162		440,919
Unearned income		48,966		101,890
Others		852,377		665,083
		1,925,784		1,438,370
Total	Rp	18,917,812	Rp	10,659,986

The allowance for possible losses on administrative accounts with lending-related risk consists of allowance for possible losses on outstanding irrevocable letters of credit, letters of credit issued under Bank Indonesia guarantee, import draft acceptances, guarantees issued in the form of standby letters of credit, bank guarantees, risk sharing, performance bonds, bid bonds and advanced payment on bonds (see Note 2d). The details of this allowance as of December 31, 1999 by collectibility are as follows:

Current	Rp	5,174,987
Special mention		3,044,553
Substandard		713,647
Doubtful		410,143
Loss		5,122,758
Total		14,466,088
Less allowance for possible losses	(	4,677,632)
Net	Rp	9,788,456

Management believes that the allowance for possible losses is adequate.

21. SUBORDINATED LOANS

This account consists of the following:

		1999		1998
Two-Step Loans (TSL)				
(a) Nordic Investment Bank (NIB)	Rp	485,194	Rp	264,706
(b) Export-Import Bank of Japan (EBJ)		350,917		301,289
(c) Asian Development Bank (ADB)		211,040		148,297
(d) International Bank for Reconstruction and Development (IBRD)		122,508		57,471
(e) ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)		89,323		73,182
(f) ASEAN Japan Development Fund - Export-Import Bank of Japan (AJDF-EBJ)		6,343		7,010
(g) Islamic Development Bank (IDB)		6,249		-
		1,271,574		851,955

	1999		1998	
Bank Indonesia	Rp	2,097,859	Rp	2,115,073
Investment Fund Account (RDI) ex Two-Step Loans		677,418		614,180
Others		913,830		1,470,353
Total	Rp	4,960,681	Rp	5,051,561

Two-Step Loans (TSL)

(a) Nordic Investment Bank (NIB)

This account represents credit facility obtained from NIB through Bank Indonesia to finance several projects in Indonesia. The details of these facilities are as follows:

Credit Facilities	Purpose	Repayment Period
Nordic Investment Bank I	Finance investment project with high priority, primarily private sector relating to Indonesia's interest and Scandinavian countries	March 23, 1988 - July 15, 2002
Nordic Investment Bank II	Finance investment project with high priority, primarily private sector relating to Indonesia's interest and Scandinavian countries	December 10, 1990 - July 15, 2005
Nordic Investment Bank III	Finance investment project with high priority, primarily private sector relating to Indonesia's interest and Scandinavian countries	August 4, 1993 - August 15, 2008
Nordic Investment Bank IV	Finance investment project with high priority, primarily private sector relating to Indonesia's interest and Scandinavian countries	April 15, 1997 - February 28, 2017

The annual interest rate on the NIB I facility is 1.75% above the interest rate charged by NIB to the Government or the interest rate charged on channeling loans to customers less 6% whichever is higher.

The interest rate on NIB II facility is based on the past six-months average interest rate for three-month Bank Indonesia Certificates which should:

- Not be higher than the average interest rate for three-month time deposits for the past six months in five state-owned banks.
- Not be lower than the interbank interest rate to the Government plus 1.75%.

The interest rate on NIB III facility is based on the previous six-months average variable interest rate for three-month Bank Indonesia Certificates, determined on April 15 and October 15 of every year, beginning from the disbursement of the loans.

The interest rate on NIB IV facility was based on the previous six-months variable interest rate as determined by Bank Indonesia based on the prevailing average interest rates for the past six months for three-month Bank Indonesia Certificates.

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(b) Export-Import Bank of Japan (EBJ)

This account represents credit facilities obtained from Export-Import Bank of Japan through Bank Indonesia to finance several projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
EBJ-TSL I	Private sector projects included in Priority Scale List from/or approved by Investment Coordinating Board	July 15, 1992 - January 15, 2005
EBJ-TSL II	Private and state-owned company projects in sector prioritized by the Government and export-oriented	April 1, 1993 - October 1, 2004
EBJ-TSL III	Private and state-owned company projects in sector prioritized by the Government and export-oriented	January 15, 1994 - July 15, 2005
EBJ-TSL IV	Projects which help to increase investments in private sector and export-oriented	July 15, 1995 - January 15, 2007
EBJ-TSL V	Small-scale Industry, primarily manufacturing sector and export-oriented	September 15, 1994 - March 15, 2003

The interest rate on credit facilities from EBJ-TSL I and TSL II is based on the weighted average interest rate for customers' deposits in the participating banks as determined by Bank Indonesia every six (6) months, less 1%.

The interest rate on EBJ-TSL III, IV and V is based on the floating interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month Bank Indonesia Certificates, which should:

- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks and not be lower than the interest rate on Exim loan plus 4% for EBJ-TSL III.
- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks for EBJ-TSL IV and V.

(c) Asian Development Bank (ADB)

This account represents credit facilities from ADB through Bank Indonesia to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
ADB Fish I	Finance government project in funding credit for fishery project	July 23, 1986 - August 15, 2000
ADB Fish II	Finance government project in funding credit for fishery project	December 19, 1991 - September 15, 2006
ADB Nescoco Plasma and Nescoco Inti	Finance government project in funding credit for plantation project	February 15, 1989 - September 15, 2008
ADB Agro Industry	Finance industrial sector	May 13, 1988 - September 15, 2002
Second Bapindo Project	Finance all industrial sectors which have high socio – economic value and carried out by private sector	November 1, 1990 - May 1, 2002

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Credit Facility	Purpose	Repayment Period
Development Financing Loan Project	Finance industrial sector prioritizing manufacturing products to non-oil export, agrobased industry, employee-centred program and earning foreign exchange	July 15, 1993 - January 15, 2005

The ADB I credit facility bears annual interest at 11.4%.

For the ADB II credit facility, the variable interest rate is determined every six months based on the lower of:

- Average interest rate for the six (6) months ending three months before the interest payment period, for three-month Bank Indonesia Certificates; and,
- Average interest rate for the six (6) months ending three (3) months before the interest payment period, for three-month time deposits in five (5) state-owned banks.

The interest rate on ADB II facility shall not be lower than the annual interest rate charged by ADB to the Government plus 4%.

Availments on the ADB facilities are repayable within fifteen (15) years from the first drawdown (inclusive of a 4-year grace period for ADB I and a 3-year grace period for ADB II) and are repayable in twenty-two (22) semi-annual installments starting December 15, 1989 for ADB I and twenty-four (24) semi-annual installments starting March 15, 1995 for ADB II.

The interest rates on the ADB Nescoco Plasma and ADB Nescoco Inti facilities are 9.50% and 10.00%, respectively, of the outstanding facility.

The interest rate on the ADB Agro Industry is the interest rate charged by ADB to the Government plus 1.75% or depositors' interest rate less 5.00%, whichever is higher.

The interest rate on the Second Bapindo Project facility is 1.75% per annum above the interest rate charged by ADB to the Government or the interest rate for depositors less 5.00% per annum, whichever is higher.

The interest rate on the Development Finance Loan Project facility is based on the variable rate determined by Bank Indonesia every six (6) months based on the weighted average interest rate for depositors in a foreign exchange bank but not lower than the interest rate charged by ADB plus 1.75% per annum.

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(d) International Bank for Reconstruction and Development (IBRD)

This account represents credit facilities obtained from IBRD through Bank Indonesia to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
Industrial Restructuring Program (IRP)	Finance restructuring for investment projects for engineering, pulp, paper and textile sub-sector project	July 27, 1989 - October 1, 2003
Export Development Program II (EDP II)	Finance Export Development Project II	September 20, 1988 - February 15, 2003
Small and Medium Industrial Program (SMIEP)	Finance manufacturing industrial project, agrobased and the related industry (including transportation and cold storage)	April 1, 1992 - October 1, 2003
Financial Sector Development Project (FSDP)	Finance Financial Sector Development Project	February 1, 1993 - February 1, 2008
Tree Crops Processing Project (TCPP)	Finance development of Palm-Oil Factory	February 23, 1989 - June 1, 2001
Agricultural Financing Project (AFP)	Finance production sector project and agriculture animal husbandry, fishery and forestry industries	June 1, 1995 - December 1, 2006
IBRD Loan No. 2277 V Project	Finance development project (specific development project)	August 1, 1985 - February 1, 2003

For IRP, EDP II and SMIEP credit facilities, the principal amount is repayable to the Government within fifteen (15) years inclusive of a 3-year grace period from the time the agreement becomes effective. The interest rate on the IRP, EDP II and SMIEP credit facilities is determined every six (6) months by Bank Indonesia and should not be lower than the interest rate charged by IBRD to the Government plus 1.75%.

The interest rate on FSDP credit facility is variable based on the past six-months average interest rate for three-month Bank Indonesia Certificates. The FSDP credit facility is repayable on March 15 and September 15 of every year, whichever is earlier from the date of agreement.

The interest rate for TCPP facilities is 10% per annum.

The interest rate on AFP facility is computed based on a variable interest rate for a period of six (6) months, at the lower of:

- Six-months average interest rate for three-month Bank Indonesia Certificates.
- Six-months average interest rate for three-month time deposits in five (5) state-owned banks.

The interest rate on AFP facility shall not be lower than the interest rate charged by IBRD to the Government plus 2%.

The interest rate on Loan No. 2277 V Project facility is based on the interest rate charged by IBRD to the Government subject to a maximum of 11%.

(e) ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)

This account represents credit facilities obtained from AJDF-OECF through Bank Indonesia to finance projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
Pollution Abatement Equipment Program (PAE)	Purchase of equipment to prevent pollution	August 10, 1993 - August 10, 2003

The availments on the above AJDF-OECF facilities are repayable within twenty (20) years after the first drawdown (inclusive of a 5-year grace period), in thirty (30) semi-annual installments starting August 15, 1998 and ending on February 15, 2013.

The PAE facilities bear variable interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month Bank Indonesia Certificates, less 5%.

(f) ASEAN Japan Development Fund - Export-Import Bank of Japan (AJDF-EBJ)

This account represents credit facility obtained from AJDF-EBJ through Bank Indonesia to finance investment projects and working capital requirements of small-scale industries. The credit facility which amounts to Rp 6,343 is repayable in twenty four (24) semi-annual installments within fifteen (15) years after the date of the first drawdown (inclusive of a 3-year grace period), with the first installment starting December 15, 1997.

This facility bears interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month Bank Indonesia Certificates.

(g) Islamic Development Bank (IDB)

This account represents credit facility from IDB through Bank Indonesia to finance several projects in Indonesia. The details of these facilities are as follows:

Credit Facility	Purpose	Repayment Period
IDB	Development of textile factory	August 22, 1991 - May 15, 2001

The IDB facility bears an administration fee at 11% per annum.

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Bank Indonesia

This account represents a loan arising from the conversion of Bank Indonesia Liquidity used to improve the capital structure of the former BBD, former BDN, former Bapindo and PT Bank Syariah Mandiri (a Subsidiary). The details of this facility as of December 31, 1999 are as follows:

Bank	Repayment Period	Amount	Interest Rate
Former Bapindo	March 31, 1995 – March 31, 2004	Rp 1,296,000	0% per annum
Former BDN	March 31, 1993 – March 31, 2000	740,059	6% per annum calculated quarterly by capping as follows: the first 5 years at 1% per annum the second 5 years at 3% per annum the third 5 years at 6% per annum the fourth 5 years at 14% per annum
PT Bank Syariah Mandiri	January 31, 1994 – January 31, 2014	32,000	6% per annum calculated quarterly by capping as follows: the first 5 years at 1% per annum the second 5 years at 3% per annum the third 5 years at 6% per annum the fourth 5 years at 14% per annum
Former BBD	March 31, 1993 – March 31, 2000	29,800	3%
Total		Rp 2,097,859	

Investment Fund Account (RDI) ex Two-Step Loans

This account represents credit facility from the Government originating from the installment payments of two step loans as follows:

	1999	1999
(a) Export-Import Bank of Japan (EBJ)	Rp 243,045	Rp 222,372
(b) ASEAN Japan Development Fund - Export-Import Bank of Japan (AJDF-EBJ)	216,924	-
(c) International Bank for Reconstruction and Development (IBRD)	161,556	210,708
(d) Asian Development Bank (ADB)	55,871	136,701
(e) ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)	22	22
(f) Nordic Investment Bank (NIB)	-	44,377
Total	Rp 677,418	Rp 614,180

(a) Export-Import Bank of Japan (EBJ)

The EBJ I and EBJ II facilities are charged with administration fees based on the weighted average interest rate for debtor deposits of the participating state banks determined by Bank Indonesia every six (6) months, less 1%.

The EBJ III, EBJ IV and EBJ V facilities are charged with administration fees based on the floating interest rate determined every six (6) months based on the prevailing average interest rate for the past six (6) months for three-month Bank Indonesia Certificates, which should:

- Not be higher than the six-months average interest rate for three-month time deposits in five (5) state-owned banks and not be lower than the interest rate of Exim Bank of Japan to the Government loan plus 4% for EBJ III.
- Not be higher than the six-months average interest rate for three-month time deposits in five state-owned banks for EBJ IV.
- Be the lower of interest rate for the past six months of three-month Bank Indonesia Certificates and the six-months average interest rate for time deposits in five (5) state-owned banks for EBJ V.

(b) ASEAN Japan Development Fund - Export Import Bank of Japan (AJDF-EBJ)

This facility is charged with an administration fee based on the six-months average interest rate for three-month Bank Indonesia Certificates.

(c) International Bank for Reconstruction and Development (IBRD)

The AFP facility was charged with administration fee based on a variable interest rate determined every six (6) months based on the lower of the:

- Average interest rate for the past six (6) months of three-month Bank Indonesia Certificates.
- Average interest rate for the past six (6) months of three-month time deposits in five (5) state-owned banks.

The administration fee for the AFP facility should not be lower than the interest rate on loans charged by IBRD to the Government plus 2%.

The IRP and SMIEP facilities are charged with administration fee based on the higher of the interest rate on:

- The interest rate on credit charged by IBRD to the Government plus 1.75%.
- Weighted average interest rate on time deposits of participant banks.

The Bapindo V Project is charged with an administration fee based on the interest rate charged by IBRD to the Government subject to a maximum of 11%.

(d) Asian Development Bank (ADB)

The Second Bapindo Project (SBP) is charged with an administration fee of 1.75% per annum above the interest rate charged by ADB to the Government or interest charged on loans to customers less 5% per annum whichever is higher.

The Development Finance Loan Project (DFLP) facility is charged with a variable administration fee determined by Bank Indonesia every six (6) months based on the weighted average interest rate on customer deposits in a Foreign Exchange Bank and should not be lower than the interest rate of ADB plus 1.75% per annum.

(e) ASEAN Japan Development Fund - Overseas Economic Cooperation Fund (AJDF-OECF)

This facility is charged with an administration fee based on variable interest rate for the past six (6) months for three-month Bank Indonesia Certificates and is payable on April 15 and October 15 of every year from the disbursement of loans less 5%.

Others

The details of this account are as follows:

	1999		1998	
Perpetual Floating Rate Notes	Rp	887,500	Rp	1,008,500
Republic of Indonesia		2,620		363,352
Others		23,710		98,501
Total	Rp	913,830	Rp	1,470,353

22. LOAN CAPITAL

This account consists of the following:

	1999		1998	
Rupiah				
Conversion of Liquidity from Bank Indonesia (KLBI)	Rp	1,755,000	Rp	1,755,000
Foreign currencies				
Subordinated Floating Rate Notes		958,500		1,083,375
Total	Rp	2,713,500	Rp	2,838,375

The conversion of liquidity from Bank Indonesia represents the conversion of fund borrowings from Bank Indonesia to former Bapindo with 0% interest rate based on the Subordinated Loan Agreements No. 28/SUG/UKU/PMK and No. 28/547/UKU/PMK dated November 6, 1995.

The loan capital in foreign currency represents a Subordinated Undated Floating Rate,Note (FRN) amounting to US$ 135 with no fixed repayment date. The interest rate is calculated at 1.1% above six-months LIBOR.

23. STOCKHOLDER'S EQUITY (CAPITAL DEFICIENCY)

This account consists of:

		1999		1998
Capital stock	Rp	4,251,000	Rp	4,000,000
Additional paid-in capital		177,749,004		4
Differences in foreign currency translation		15,587		90,592
Deficit	(	175,072,070)	(	105,533,558)
Net	Rp	6,943,521	Rp	101,442,962

Based on notarial deed No. 31 of Sutjipto, S.H., dated October 2, 1998, the authorized capital of Bank Mandiri amounts to Rp 16,000,000 with a nominal value of Rp 1,000,000 (one million Rupiah) per share. The issued and fully paid capital, amounting to Rp 4.251 trillion and Rp 4 trillion, as of December 31, 1999 and 1998, respectively, is wholly-owned by the Republic of Indonesia.

The placement of the paid-up capital amounting to Rp 4 trillion by the Republic of Indonesia was carried out as follows:

a. Cash payment through Bank Indonesia amounting to Rp 1,600,004.
b. Placements in shares of stock recorded as investments in shares of the Merged Banks amounting to Rp 599,999 each or totaling Rp 2,399,996, through the transfer of shares of the Republic of Indonesia in each of the Merged Banks to Bank Mandiri, as resolved during the respective Extraordinary General Meetings of the Merged Banks. Based on the agreement ("inbreng") notarized by deed No. 9 of Sutjipto, S.H., dated October 2, 1998, Bank Mandiri and the Republic of Indonesia, agreed to transfer those shares (inbreng) as payment for new shares to be issued by Bank Mandiri.

Based on the amendments to the Articles of Association of Bank Mandiri covered by notarial deed No. 98 of Sutjipto, S.H., dated July 24, 1999, the stockholder resolved to increase the paid-up capital of Bank Mandiri from Rp 4,000,000 to Rp 4,251,000 to be entirely paid for by the Republic of Indonesia.

The additional paid-in capital mainly represents additional capital arising from the recapitalization program (see Note 4).

The State Minister for Investments and State-Owned Enterprises Development, in his letter No. S-510/M-PBUMN/1999 dated September 29, 1999, stated his approval to utilize the additional paid-in capital of the Republic of Indonesia in Bank Mandiri, as provided for under Government Regulation No. 52 of 1999, to eliminate the negative equity of Bank Mandiri, consisting of the negative equity of the Merged Banks as of July 31, 1999 and the losses incurred from the beginning of the merger until the end of 1999 (see Note 4). As of December 31, 1999, such approval has not yet been implemented pending further approval by the Government.

24. INTEREST AND INVESTMENT INCOME

Interest and investment income was derived from the following:

	1999		1998	
Loans	Rp	7,740,528	Rp	12,996,195
Securities		4,423,028		1,835,093
Placements with other banks and financial institutions		847,412		2,318,038
Others		798,621		1,125,531
Total	Rp	13,809,589	Rp	18,274,857

25. INTEREST AND OTHER FINANCING CHARGES

This account represents interest and other financing charges incurred on the following:

	1999		1998	
Time deposits	Rp	29,535,660	Rp	33,537,028
Savings deposits		2,035,971		2,227,597
Fund borrowings		1,480,209		3,167,110
Demand deposits		964,353		1,089,322
Securities		610,941		1,854,568
Fees and commissions		162,495		168,432
Subordinated loan		149,148		-
Insurance premiums on customer guarantees		145,029		242,128
Others		771,498		2,164,870
Total	Rp	35,855,304	Rp	44,451,055

26. GENERAL AND ADMINISTRATIVE EXPENSES

This account consists of the following:

		1999		1998
Rent	Rp	528,403	Rp	389,227
Depreciation and amortization of premises and equipment		320,640		224,402
Repairs and maintenance		180,745		73,809
Communication		112,736		83,998
Office supplies		107,853		141,814
Research and development		75,994		35,650
Office equipment		54,038		62,881
Promotion		44,444		86,362
Electricity, water and gas		36,187		40,287
Transportation		36,067		42,211
Professional fees		35,289		32,727
Others		227,456		345,992
Total	Rp	1,759,852	Rp	1,559,360

27. SALARIES AND EMPLOYEE BENEFITS

This account consists of the following:

		1999		1998
Salaries, wages and pension expenses (see Notes 2o and 30)	Rp	2,773,730	Rp	779,815
Employee benefits in kind		719,406		9,991
Fringe benefits		346,932		295,871
Tax allowance		63,907		47,553
Holiday		18,767		16,721
Training and development		18,699		44,309
Honorarium		4,965		401
Others		277,765		130,920
Total	Rp	4,224,171	Rp	1,325,581

Pension expenses in 1999 mainly represent disbursements arising from the implementation of the Voluntary Separation Scheme (VSS) program by the Merged Banks in connection with the merger discussed in Note 3.

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28. NON-OPERATING INCOME (EXPENSES) - NET

This account consists of the following:

	1999	1998
Decline in value of Government Bonds - Hedge Bonds (see Notes 2g and 20)	(Rp 647,500)	Rp -
Other penalties	(274,635)	(226,412)
Income (loss) on fund investments	(225,726)	2,817
Loss on sale of premises and equipment	(86,732)	(7,300)
Rent income (expenses)	(1,834)	47,772
Others - net	(43,724)	(347,167)
Total - Net	(Rp 1,280,151)	(Rp 530,290)

29. SEGMENT INFORMATION

Information concerning the business segments of Bank Mandiri and its Subsidiaries is as follows:

	Operating Income (Loss)		Net Income (Loss)		Total Assets	
	1999	1998	1999	1998	1999	1998
Bank	(Rp 238,546,747)	(Rp 247,430,189)	(Rp 239,997,223)	(Rp 248,724,664)	Rp 224,741,691	Rp 110,906,149
Bank Syariah Mandiri	(3,948)	-	172	-	447,985	-
Securities	(191)	15	4,406	5,403	23,590	22,547
Finance	(193,206)	(1,082,468)	(193,722)	(1,076,009)	-	5,386,452
Others	-	(140,575)	-	(142,731)	-	1,722,617
Total	(238,744,092)	(248,653,217)	(240,186,367)	(249,938,001)	225,213,266	118,037,765
Eliminated	171,868,797	124,471,122	172,031,006	125,795,001	(566,323)	(17,505,631)
Consolidated	(Rp 66,875,295)	(Rp 124,182,095)	(Rp 68,155,361)	(Rp 124,143,000)	Rp 224,646,943	Rp 100,532,134

30. PENSION PLAN

Bank Mandiri has five (5) pension plans in the form of Employer Pension Plans as follows:

a. One employer defined contribution pension plan or the Bank Mandiri Pension Plan (DPPK-PPIP). The members are active employees of Bank Mandiri from August 1, 1999. The Bank Mandiri Pension Plan Regulation was legalized based on the decision letters of the Ministry of Finance of the Republic of Indonesia No. KEP/300/KM.017/1999 dated July 14, 1999 and Bank Mandiri's Director No. 004/KEP.DIR/1999 dated April 26, 1999. Up to December 31, 1999, pension contribution and old age benefits (THT) are 5% and 1% of the Gross Mandiri's Salary (GKM) and the employer contribution to finance the pension plan is 10% of the pension plan income.

Based on the other auditors' report dated March 7, 2000 concerning the status of the pension plan, total net assets under the Bank Mandiri Pension Plan was amounting to Rp 25,513 as of December 31, 1999.

b. Four employer defined benefit pension plans (DPPK-PPMP) derived from the respective pension plans of the Merged Banks, namely DPBM - one (former BBD), DPBM - two (former BDN), DPBM - three (former BankExim) and DPBM - four (former Bapindo). The regulations on the respective pension plans were legalized by the Minister of Finance in his decision letters No.KEP/394/KM.017/1999, No. KEP/395/KM.017/1999, No. KEP/396/KM.017/1999 and No. KEP/397/KM.017/1999 dated July 31, 1999. The assets of the respective pension plans were derived from the pension plan assets of the Merged Banks and if in the future there is a deficit, Bank Mandiri should cover it. The working period used as the basis for the computation of pension benefits represents the working period in the pension plan as of July 31, 1999. The basic salary used as the basis for the calculation of pension benefits is Active Employee Salary (GPA), which is principal salary multiplied by the index in the pension plan as of July 31, 1999.

The actuarial calculation of pension cost for the respective DPBM as of December 31, 1999 is as follows:

- DPBM - one was calculated by PT Jasa Aktuaria Pensiun dan Asuransi, with surplus assets amounting to Rp 42.844 billion and funding ratio of 104.73%.
- DPBM - two was calculated by PT Jasa Aktuaria Pensiun dan Asuransi, with surplus assets amounting to Rp 1.863 billion and funding ratio of 100.20%.
- DPBM - three was calculated by PT Watson Wyatt Purbajaga dan Asuransi, with surplus assets amounting to Rp 68.721 billion.
- DPBM - four was calculated by PT Jasa Aktuaria Praptasentosa Gunajasa, with surplus assets amounting to Rp 49.804 billion.

31. RELATED PARTY TRANSACTIONS

In the ordinary course of its business, Bank Mandiri engages in transactions with related parties, among others:

a) Loans (see Note 10).
b) Asset sale and purchase transactions with PT Pengelola Investama Mandiri (see Note 11).
c) Asset sale and purchase transactions with PT Pengelola Harta Tetap Mandiri (see Note 12).
d) Demand, savings and time deposits (see Notes 14, 15 and 16).

32. NET OPEN POSITION

In 1999, based on Bank Indonesia decision letter No. 31/178/KEP/DIR dated December 31, 1998 effective on March 31, 1999, Bank Mandiri should gradually adjust its Net Open Position, during the transitional period until June 30, 2000 (including all domestic and overseas branches) to attain the required maximum of 20% of capital. Net Open Position is the accumulation of absolute amounts of the net differences between assets and liabilities denominated in each foreign currency, in the balance sheet and administrative accounts.

In 1998, based on Bank Indonesia's decision letter No. 24/50/KEP/DIR dated November 20, 1991, Bank Mandiri was required to maintain its total Net Open Position (including all domestic branches) at a maximum of 20% of capital. Net Open Position represents the net difference between assets and liabilities denominated in foreign currencies in the balance sheet and administrative accounts.

Bank Mandiri's Net Open Position as of December 31, 1999, not yet in compliance with the prevailing Bank Indonesia regulation regarding the required maximum Net Open Position of 20% of the bank's capital, is as follows:

	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position (Absolute Amount)
United Stated Dollar	Rp 119,658,322 *)	Rp 122,291,035	Rp 2,632,713
Hong Kong Dollar	1,351,422	151,053	1,200,369
Austrian Schilling	5,964	593,676	587,712
Euro	389,744	67,809	321,935
French Franc	129,533	338,523	208,990
Dutch Guilder	645,170	793,161	147,991
Malaysian Ringgit	105,259	250,333	145,074
Singapore Dollar	413,466	477,682	64,216
Japanese Yen	1,990,057	2,048,980	58,923
Canadian Dollar	58,435	29,273	29,162
Others (each below Rp 20,000)	1,841,900	1,835,866	6,034
Total			Rp 5,403,119

*) The above assets include hedge bonds amounting to Rp 26.640 trillion.

33. FOREIGN CURRENCY TRANSACTIONS

The outstanding receivables and payables arising from foreign currency transactions consist of the following:

	1999	1998
Receivables		
Forward foreign currency bought	Rp 253,791	Rp 1,626,740
Unrealized spot foreign currencies bought	2,256	471,668
Total	Rp 256,047	Rp 2,098,408
Payables		
Forward foreign currency sold	Rp 604,690	Rp 1,582,909
Unrealized spot foreign currencies sold	2,265	774,104
Total	Rp 606,955	Rp 2,357,013

The details of foreign currency receivables and payables as of December 31, 1999 are as follows:

	Foreign Currencies	Rupiah Equivalent	
Receivables			
Forward foreign currency bought	Euro	Rp	235,984
	Others		17,807
			253,791
Unrealized spot foreign currencies bought	United States Dollar		2,256
Total		Rp	256,047
Payables			
Forward foreign currency sold	Euro	Rp	237,069
	United States Dollar		229,243
	Others		138,378
			604,690
Unrealized spot foreign currencies sold	United States Dollar		2,265
Total		Rp	606,955

The period for foreign currency transactions ranged from 6 to 1,002 days in 1999.

34. SIGNIFICANT AGREEMENTS, COMMITMENT AND CONTINGENCIES

a. Management Contract

On April 8, 2000, a Management Contract was signed between the Government of the Republic of Indonesia and Bank Mandiri in connection with the recapitalization of Bank Mandiri as described in Note 4. The Management Contract sets forth, among others, the following:

1. Obligations to be fulfilled by Bank Mandiri, among others:

   - The Government Bonds can only be used by Bank Mandiri to settle liabilities and cannot be used to acquire assets, except for Government Bonds classified as trading based on the prevailing regulations.

   - Settlement of unreconciled/open items and reconciliation of interbranch transactions derived from the Merged Banks.

- Special audit of high risk and material unreconciled/open items.

- Implementation of an automated monitoring system over the use of funds and liquidity of Bank Mandiri not later than June 30, 2000.

- Bank Mandiri agreed to improve the Net Open Position based on the prevailing regulation and prepare a plan to acquire assets and United States Dollar currencies.

- Bank Mandiri and the Minister of Finance agreed to undertake actions needed to accelerate the privatization process of Bank Mandiri which is equity in nature and which has to be completed not later than March 31, 2001.

2. Management and Performance of Bank Mandiri, among others:

   - The Boards of Directors and Commissioners are required to perform their jobs earnestly to perform actions thoroughly as required in the Business Plan, Performance Plan and Performance Milestones.

   - The Compliance Director is required to undertake actions needed to fully comply with Bank Indonesia Regulations, the prevailing laws, agreements, and commitments with Bank Indonesia and monitor the success of the implementation of the Bank Recapitalization Program based on the agreed Business Plan, without prejudice to the responsibilities of the Boards of Directors and Commissioners of Bank Mandiri. The results of this job should be submitted quarterly to the Minister of Finance not later than two (2) weeks after the end of each quarter.

3. Corporate Governance for Bank Mandiri, among others:

   - The Governance of Bank Mandiri is conducted by its Boards of Directors and Commissioners in accordance with the Articles of Association of Bank Mandiri and the prevailing laws.

   - The members of the Boards of Directors and Commissioners must not have conflict of interests in the decision making process involved in governing Bank Mandiri.

b. Government Bond Purchase Agreement

In December 1999, Bank Mandiri entered into an agreement with Bank Indonesia, whereby Bank Mandiri is required to buy Rp 14 trillion worth of Government Bonds, consisting of Rp 7 trillion fixed rate bonds and Rp 7 trillion variable rate bonds, on June 28, 2000.

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

c. Earning Assets Transfer Agreement

In 1999, Bank Mandiri entered into an Earning Assets Transfer Agreement with IBRA. Under the agreement, Bank Mandiri agreed to transfer to IBRA its loss category earning assets for nil consideration.

d. Agreements on Channeling loans

Bank Mandiri entered into several channeling loans agreement to channel loans in various foreign currencies, loans from Export Import Bank of Japan, ASEAN Japan Development Fund, Overseas Economic Cooperation Fund, International Bank for Reconstruction and Development, Nordiska Investeringsbanken, Kreditanstalt Fur Wiederaufbau, Sumitomo, US AID, Barclays Bank, Bank of China, CN Lyonnais, Unibank, Bank of Austria, Ryobhin Hong Kong, Export Finance and Insurance Cooperation - Australia, Mitsubishi Corporation, Chartered West LB, Banque Indosuez, Hitachi Zosen, NEC Corporation, Banque Francais du Comm, Exim Bank of US, and Banque Paribas for financing projects in Indonesia.

Bank Mandiri's responsibilities under the above arrangement include, among others, the payment of principal, interest and other charges and the preparation sufficient loan recording. As compensation, Bank Mandiri shall receive an annual administration fee which varies from 0.15% - 0.25% of the loan balances.

The outstanding balances of channeling loans as of December 31, 1999, summarized by economic sector are as follows:

Electricity, gas and water	Rp	4,493,167
Transportation, warehouse and communication		3,469,424
Manufacturing		1,166,737
Agriculture		950,890
Mining		28,742
Construction		27,869
Others		96,423
Total	Rp	10,233,252

e. Contingent Liabilities

As of December 31,1999, Bank Mandiri has provided an allowance of Rp 449.2 billion (included as part of "Other Liabilities") for several pending lawsuits filed against the Bank Mandiri, which Bank Mandiri's internal legal counsel believes will be decided in favor of the complainants. These lawsuits mainly relate to guarantees issued by the Merged Banks which Bank Mandiri is obligated to fulfill. Management believes that the allowance is adequate to cover possible losses arising from such lawsuits.

35. ADVERSE ECONOMIC CONDITIONS

In 1998, many Asia Pacific countries, including Indonesia, have experienced adverse economic conditions mainly resulting from currency depreciation in the region. In Indonesia, these economic conditions which have been characterized by volatile foreign currency exchange rates, high interest rates, tight liquidity and lack of public confidence in the country's banking system have significantly affected the banking services sector, including the operations of Bank Mandiri and its Subsidiaries. The adverse economic conditions have also involved declining prices in shares listed on the Indonesian stock exchanges, tightening of available credit and reduced economic activity. Also, the liquidation and suspension of operations of several domestic banks in Indonesia have caused deterioration of public confidence in the country's banking system, placing more pressure on the liquidity and survival of the banking sector.

To regain public confidence in the banking system, the Government has guaranteed certain obligations of domestic banks as discussed in Note 36.

The adverse economic conditions caused uncertainty with respect to the ability of the customers of Bank Mandiri and its Subsidiaries to fulfill their obligations when they mature, thereby significantly increasing credit risk inherent in their lending portfolio. Such economic conditions also affected Bank Mandiri's and its Subsidiaries' cost of funds.

In the middle of 1999 until the date of the auditors' report, the economic conditions in Indonesia showed signs of recovery, such as the decline in interest and inflation rates. In 1999, the banking sector has started to obtain recapitalization from the Indonesian Government, and has transferred non-performing assets to IBRA, thereby reducing the provision for losses although still posting negative interest margins for the years ended December 31, 1999 (and 1998).

In March 1999, Bank Mandiri and its Subsidiaries transferred and assigned their rights and ownership over non-performing loans to IBRA based on the Asset Transfer Agreement discussed in Note 34c.

In response to the effects of the adverse economic conditions on the banking sector, on December 31, 1998, the Government issued Regulation No. 84 of 1998 concerning the Recapitalization of Commercial Banks. By virture of the Joint Decrees No. 53/KMK.017/1999 and No. 31/12/KEP/GBI dated February 8, 1999 of the Ministry of Finance and the Governor of Bank Indonesia, concerning the implementation of the recapitalization program for commercial banks and the decision letter of the Steering Committee for the Recapitalization Program of Commercial Banks dated March 12, 1999, Bank Mandiri was included in the recapitalization program. In addition, the implementation of the recapitalization program is one of the commitments of the Government in its Letters of Intent (LoI) to the International Monetary Fund (IMF).

On October 12 and December 28, 1999, the Government and Bank Mandiri signed an Interim Recapitalization Agreement (see Note 34a) and after such signing, Government issued Government Bonds amounting to Rp 103 trillion and Rp 75 trillion, respectively (see Note 4). Therefore, total Government Bonds received by Bank Mandiri amounted to Rp 178 trillion.

In connection with the above-mentioned recapitalization agreements, Bank Mandiri and its Subsidiaries have prepared a business plan, which sets forth among others:

a. Restructuring of non-performing loans for debtors with prospects and transferring non-prospective loans classified as loss to IBRA.

b. Settlement of loans granted to related parties which have exceeded the legal lending limit.

c. Settlement of Net Open Position which has exceeded the limit.

d. Overcoming of liquidity risk by rolling over offshore borrowings, increasing retail funding and maintaining major customers by offering competitive interest rates and services.

e. Efficiency improvement measures, as follows:
   a. Rationalizing employees.
   b. Optimizing office network and extending retail credits.
   c. Redesigning branch operations.
   d. Optimizing the usage of the existing fixed assets.
   e. Controlling overhead costs through monitoring mechanisms.
   f. Designing an effective organization structure.

f. Improvement of product and service quality to meet customers' needs.

g. Improvement of the quality of human resources by prioritizing training and education.

h. Transferring the management of non-prospective Subsidiaries to PT Pengelola Investama Mandiri, a related party, for resale and restructuring of Subsidiaries with prospects.

Further, on April 8, 2000, Bank Mandiri and the Indonesian Government entered into a Management Contract. The Management Contract provides for, among others, the requirements and milestones to be fulfilled by Bank Mandiri in accordance with its Business Plan and the Government's recapitalization (see Note 37e).

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

The accompanying consolidated financial statements as of December 31, 1999 and for the five months then ended include the effects of the adverse economic conditions to the extent they can be determined and estimated. Recovery of the economy depends on the monetary, fiscal, and other measures that have been and will be undertaken by the Indonesian Government, actions which are beyond the control of Bank Mandiri and its Subsidiaries. It is not possible to determine the future effects of the adverse economic conditions on Bank Mandiri's and its Subsidiaries' earnings and realization of their earning assets, including the effects from their customers, creditors and stockholder.

36. GOVERNMENT GUARANTEE OVER OBLIGATIONS OF LOCALLY INCORPORATED BANKS

Based on the Decree of the Minister of Finance No. 26/KMK.017/1998 dated January 28, 1998, the Government is guaranteeing certain obligations of locally incorporated banks namely demand deposits, savings, time deposits and deposit on call, bonds, marketable securities, interbank placements, fund borrowings, swaps/hedges/futures, derivative and contingent liabilities such as bank guarantees, standby letters of credit, performance bonds and other liabilities excluded in this decree, such as subordinated loans and due to directors, commissioners and related parties. This guarantee is valid for two (2) years from January 26, 1998 to January 31, 2000. Based on Joint Decrees of the Directors of Bank Indonesia and Head of IBRA No. 32/46/KEP/DIR and No. 181/BPPN/0599 dated May 15, 1999, the guarantee period is automatically extended, unless otherwise decided upon by IBRA within six months from the maturity of this guarantee.

37. SUBSEQUENT EVENTS

a. Trading of Government Bonds

Based on Bank Indonesia Letter No. 2115/DPM dated January 26, 2000 concerning the "Government Bonds Trading Agreement", Bank Mandiri may already trade Government Bonds amounting to Rp 675 billion effective on February 1, 2000 (see Note 8).

b. Net Open Position

The Net Open Position of Bank Mandiri as of April 28, 2000 (unaudited) is as follows:

	Rupiah Equivalent		
	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position (Absolute Amount)
Hong Kong Dollar	Rp 2,025,387 *)	Rp 1,032,646	Rp 992,741
United States Dollar	131,735,091	130,787,258	947,833
French Franc	151,351	334,045	182,694
Japanese Yen	2,119,785	2,301,074	181,289

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

	Rupiah Equivalent		
	Assets and Administrative Asset Accounts	Liabilities and Administrative Liability Accounts	Net Open Position (Absolute Amount)
Spanish Peso	Rp 238,742	Rp 71,918	Rp 166,824
Dutch Guilder	584,636	722,435	137,799
Malaysian Ringgit	149,845	249,973	100,128
Euro	354,202	278,346	75,856
Singapore Dollar	689,483	618,380	71,103
British Pound Sterling	756,424	705,140	51,284
Canadian Dollar	68,291	32,420	35,871
Deutsche Mark	1,270,062	1,292,908	22,846
Others (each below Rp 20,000)	465,093	427,924	37,169
Total			Rp 3,003,437

*) The above assets include hedge bonds amounting to Rp 24.420 trillion.

As of April 28, 2000, the percentage of the Bank's Net Open Position (NOP) to its capital based on Bank Mandiri's report to Bank Indonesia is 34.15% (unaudited), which is not in compliance with the prevailing Bank Indonesia Regulation on NOP which should be a maximum of 20% of each bank's capital. However, the regulation states that banks are given a transitional period to gradually adjust their Net Open Position until June 30, 2000 (see Note 32).

c. Legal Lending Limit (LLL)

Based on Bank Mandiri's report on LLL to Bank Indonesia as of April 28, 2000 (unaudited), Bank Mandiri did not breach the LLL as of said date.

d. First Quarter 2000 Performance (Unaudited)

A summary of the performance of Bank Mandiri for the three months ended March 31, 2000 is as follows:

Financial Data	(in billions of Rupiah)
Income after tax	Rp 455
Total assets	216,503
Net equity	4,741
Restructured loans	24,000

Financial Ratios	Percentage
Ratio of Return on Assets (annualized)	2.68%
Ratio of Return on Equity (annualized)	25.45
Capital Adequacy Ratio (Core and Supplementary Capital)	13.64

The above performance measures were calculated after considering the return of Government Bonds amounting to Rp 2.657 trillion (see Note 4).

e. Management Contract

On April 8, 2000, Bank Mandiri and the Indonesian Government entered into a Management Contract. The Management Contract provides for, among others, the requirements and milestones to be fulfilled by Bank Mandiri in accordance with its Business Plan.

Under the Management Contract, Bank Mandiri is required, among others, to return the surplus of Rp 2.657 trillion in Government Bonds or equivalent to 2,657,000 (two million six hundred fifty seven thousand) units, to the Minister of Finance on April 10, 2000, the effective date of the Management Contract (see Notes 4 and 34a).

38. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements for seven months ended as of July 31, 1999 and for the year ended as of December 31, 1998 have been reclassified to conform with the presentation of accounts in the 1999 consolidated financial statements, with the details of the significant reclassifications made as follows:

Description		Amount
July 31, 1999		
Other Operating Income - Others offset against Other Operating Expenses - Others	Rp	10,307,242
Other Operating Income - Others reclassified to Other Operating Income - Gain on Foreign Exchange - Net		1,011,167
Other Operating Expense - Others reclassified to Other Operating Expenses - Salaries and Employee Benefits		715,897
December 31, 1998		
Other Operating Income - Gain on Foreign Exchange - Net offset against Other Operating Expenses - Others		68,424,764
Fund Borrowings offset against Loans		6,008,261

PT BANK MANDIRI (PERSERO) AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Amounts in Millions, Except as Otherwise Stated)

Description		Amount
Other assets - Allowance for Possible Losses on Administrative Accounts with Lending - Related Risk reclassified to Other Liabilities - Allowance for Possible Losses on Administrative Accounts with Lending-Related Risk	Rp	2,327,449
Other Current Liabilities reclassified to Fund Borrowings		1,797,815
Other Operating Income - Gain on Foreign Exchange - Net reclassified to Other Operating Income - Others		197,250
Other Operational Expenses - General and Administrative reclassified to Other Operating Expenses - Others		143,844

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CORPORATE DATA

BOARD OF COMMISSIONERS

BINHADI, CHAIRMAN

Chairman of Bank Mandiri. Currently also President Commissioner of PT Bank Syariah Mandiri and President Commissioner of PT Pemeringkat Efek Indonesia (Pefindo). Previously held various institutional and corporate positions such as Director of Bank Indonesia (1983-1993) and President Director of PT Niaga Management Company (1994-1999).

Business Administration graduate from Universitas 17 Agustus 1945 (1964). Joined various short courses such as the Advance Management Course for Bankers, Wharton School Philadelphia (1975) and Central Bank Course, International Monetary Funds, Washington, USA (1982).

SOEDARJONO, COMMISSIONER

Commissioner of Bank Mandiri since 1999. Previously, Head of Indonesian Accountancy Institute (1994-1998). Chairman of Badan Pengawasan Keuangan dan Pembangunan (1993).

Economic graduate from Universitas Indonesia.

MARKUS PARMADI, COMMISSIONER

Commissioner of Bank Mandiri since 1998. Assistant Minister/Deputy of Financial and Other Services since 1998. Previously held various important positions at Lippo Group, PT Lippo Securities, PT Lippo Bank, PT Bank Central Asia, and Citibank N.A.

Joined various seminars and trainings both abroad and domestic.

Engineering and Economic (Ext) graduate from Universitas Indonesia.

SABANA KARTASASMITA, COMMISSIONER

Commissioner of Bank Mandiri since 1999. Started his career at PT Tambang Timah since 1961, then held various state appointments such as Third Assistant of State Minister of Research and Technology (1979), Member of the Supreme Advisory Council (1983-1988), Ambassador for Belgium and Luxemburg (1994-1997).

Held a Doctoral degree from the Faculty of Economic and Social Studies, Köln University, West Germany (1961).

ROBBY DJOHAN, PRESIDENT DIRECTOR

President Director of Bank Mandiri since 1998.
Currently also the Chairman of Bank Bumiputera, and the Chairman of PT Garuda Indonesia. Previously held the position as President Director of Bank Niaga (1984 -1994).
Member of Dewan Penyantun Institut Bankir Indonesia.
Economic graduate from Universitas Padjadjaran, Bandung (1968). Finished various educational courses both domestically and abroad such as Credit Analysis Development course and Advanced Banking course.

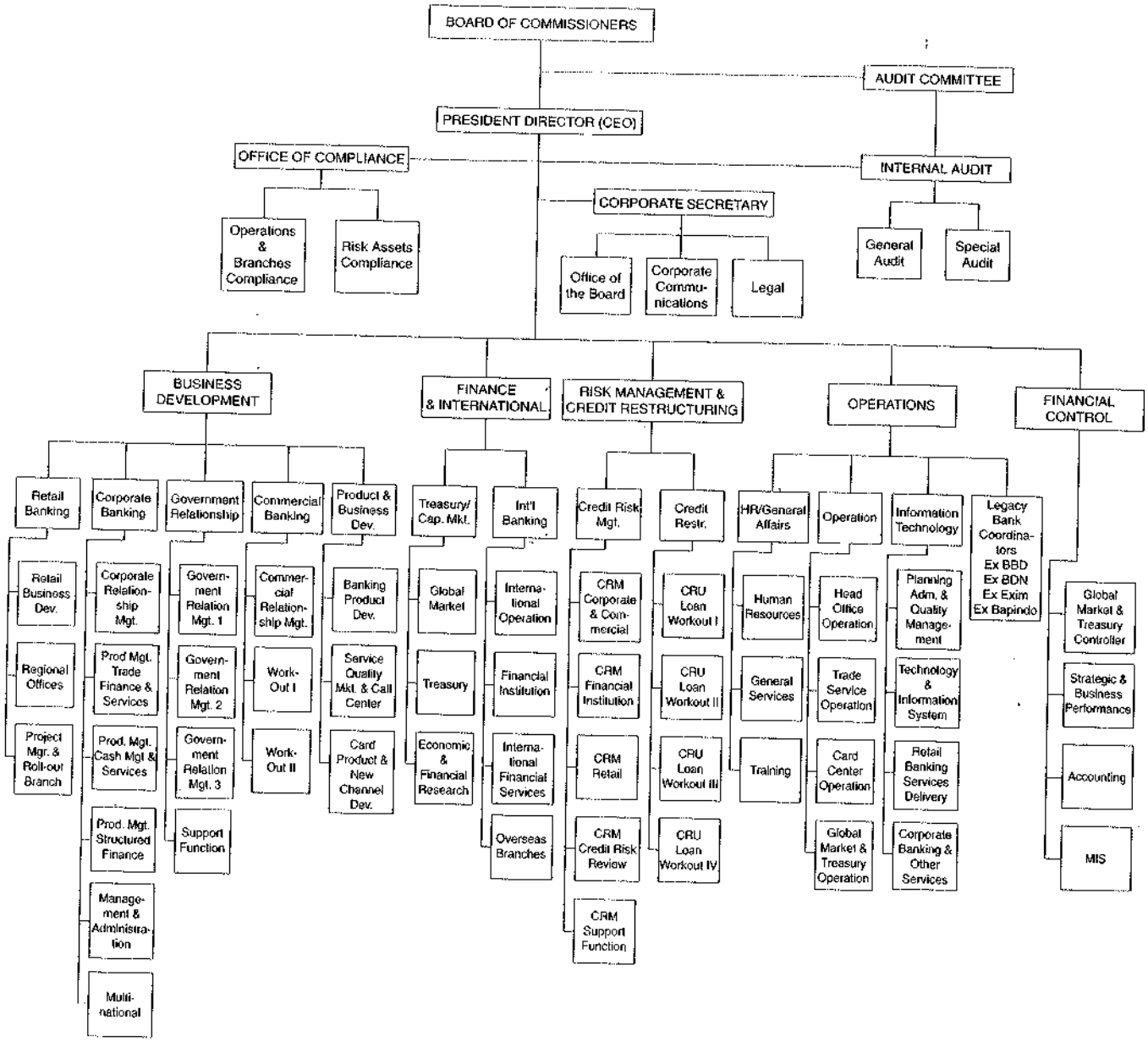
I WAYAN PUGEG, DIRECTOR

Director of Bank Mandiri since 1998. Previously held the position as member of the Board of Directors of Bank Dagang Negara, President Commissioner of PT Koexim BDN Finance, Commissioner of PT Indovest Bank Tbk, PT Salindo Perdana Finance, PT Bina Usaha Indonesia. Director of PT Sarana Bersama Pembiayaan Indonesia.
Economic graduate majoring in Accountancy from Universitas Gajah Mada (1972). Joined various educational courses both domestically and abroad such as Pacific Rim Bankers Program, University of Washington, Seattle, USA (1991).

AGUS MARTOWARDOJO, DIRECTOR

Director of Bank Mandiri since 1999. Previously held the position of President Director of Bank Bumiputera, (1995). Deputy CEO, Maharani Holding (1994-1995).
Vice President, Corporate Banking Group, of Bank Niaga (1986-1994).
International Loan Officer Bank of America NT & SA, Jakarta Branch (1984-1986).
Economic graduate from Universitas Indonesia, Jakarta (1984).
Finished various courses and seminars both domestically and abroad at State University of New York, Buffalo, and Institute of Banking & Finance, Singapore.

ORGANIZATION STRUCTURE



EXECUTIVE MANAGEMENT

Robby Djohan [1]	*President Director/Chief Executive Officer*
I Wayan Pugeg	*Compliance Director*
Agus Martowardojo	*MD/EVP - Risk Management & Credit Restructuring*
Edwin Gerungan	*EVP - Finance & International*
Kodradi [2]	*EVP - Operations*
Peter B. Stok [3]	*EVP - Business Development*
Agam P. Napitupulu	*EVP - Information Technology*
A.H. Sutanta [4]	*EVP - Operation*
A. Noor Iiham	*EVP - Human Resources/General Affairs*
Heru Ratna Azimada	*EVP - Corporate Banking*
I. Supomo	*EVP - Retail Banking*
I Wayan Agus Mertayasa	*EVP - Credit Risk Management*
J.B. Kendarto	*EVP - Treasury & Capital Market*
Keat Lee	*EVP - Financial Controller*
Abdul Rachman	*SVP - Government Relations*
Cholil Hasan	*SVP - International Banking*
Hadi R. Pane	*SVP - Internal Audit*
M. Sholeh Tasripan	*SVP - Legacy Bank Coordinator*
Noor SDK Devi	*SVP - Corporate Secretary*
Omar S. Anwar	*SVP - Product & Business Development*
Sigit Pramono	*SVP - Credit Restructuring*
Ventje Rahardjo	*SVP - Commercial Banking*

Note :

[1] Succeeded by E.C.W Neloe based on Decree of the Minister of Finance No. 149/KMK.01/2000 dated May 17, 2000.

[2] Appointed as President Director of PT Bank Tabungan Negara (Persero) by Decree of the Minister of Finance No. 145/KMK.01/2000 dated May 16, 2000.

[3] Appointed as President Director of PT Bank Niaga Tbk by the General Shareholders Meeting of Bank Niaga dated June 29, 2000.

[4] Retired as of June 1, 2000

PRODUCTS AND SERVICES

DEPOSITS

- Current Account
- Mandiri Savings Account
- Time Deposits
- Certificates of Deposit

LOAN PRODUCTS

- Corporate Credit
- Syndicated Loan
- Trade Financing
  - Import Financing with GSM-102 Scheme
  - Import Financing with Kfw Scheme
  - Import Financing with BEI Scheme
  - Export Working Capital Loan with BEI Scheme
  - Outstanding Export L/C
  - Export Financing with IDB Scheme
  - UPAS Import Financing
  - Discounted Export L/C
- Investment Credit
- Working Capital Credit
- Bank Security Deposit and Guarantee
- Financial Advisory
- Home Mortgage Loan
- Car Purchase Sub-Loan
- Program Import Financing

TREASURY & INTERNATIONAL

- Custody Bank
- Depository Bank
- Trust Service

SERVICES

- Cash Management
- ATM
- Remittances
- Clearing and Inkaso
- Traveller's Cheque
- Safe Deposit Box
- Utility Bill Payment
- Phone Banking
- L/C
- Foreign Currency Exchange
- Facility Agent

BANK MANDIRI NETWORK

DOMESTIC

Head Office
Plaza Mandiri
Jl. Jend. Gatot Subroto,
Kav. 36 - 38 Jakarta 12190
Tel. : (021) 5265045,
5265095 (Hunting)
Fax. : (021) 5265008, 5265017

Regional Office I (Medan)
Jl. T. Imam Bonjol No. 7
Medan 20112
Tel. : (061) 4150600, 4153396
Fax. : (061) 4153273
Head of Regional Office :
Marwan Budiarsyah
Number of Branches : 78

Regional Office II (Palembang)
Jl. Kapten A. Rivai No. 39
Palembang 30135
Tel. : (0711) 6922004, 2600500
Fax. : (0711) 6922006
Head of Regional Office :
Kemal Ranadireksa
Number of Branches : 56

Regional Office III (Jakarta - Kota)
Jl. Lapangan Stasiun No. 2
Jakarta 11110
Tel. : (021) 6922004, 2600500
Fax. : (021) 6922006, 2600505
Head of Regional Office :
Kustiawan
Number of Branches : 79

Regional Office IV (Central Jakarta)
Gedung Utama BDN Lantai 10
Jl. M.H. Thamrin No. 5
Jakarta 10340
Tel. : (021) 3907789,
2301107
Fax. : (021) 2301088,
2300826
Head of Regional Office :
Sudirman Suwin
Number of Branches : 83

Regional Office V (South Jakarta)
Bapindo Plaza 7th Fl.
Jl. Jend. Sudirman kav. 54–55
Jakarta 12190
Tel. : (021) 5266566 ext. 8710-15
Fax. : (021) 5267371
Head of Regional Office :
Mahyudin Ramli
Number of Branches : 87

Regional Office VI (Bandung)
Jl. Asia Afrika No. 118–120
Bandung 40261
Tel. : (022) 4220591, 4207851
Fax. : (022) 4240658, 4220591
Head of Regional Office :
Tjahjana Tjakrawinata
Number of Branches : 48

Regional Office VII (Semarang)
Jl. Pemuda No. 73
Semarang 50139
Tel. : (024) 517349, 520486-7,
520484
Fax. : (024) 520485
Head of Regional Office :
Rudy Wibisono
Number of Branches : 52

Regional Office VIII (Surabaya)
Jl. Basuki Rachmat 129–137
Surabaya 60271
Tel. : (031) 5316760, 5343406
Fax. : (031) 5316776
Head of Regional Office :
Koen Sardjono Sadrie
Number of Branches : 81

Regional Office IX (Banjarmasin)
Jl. Lambung Mangkurat No. 3
Banjarmasin 70111
Tel. : (0511) 51405
Fax. : (0511) 66719
Head of Regional Office :
Maryono
Number of Branches : 31

Regional Office X (Makassar)
Jl. R.A.Kartini No. 12–14
Makassar 90111
Tel. : (0411) 329096, 329097
Fax. : (0411) 329095
Head of Regional Office :
Wilson Sitorus
Number of Branches : 63

OVERSEAS

Bank Mandiri (Europe) Limited London

Senator House 85

Queen Victoria St.

London EC4V 4JN

Tel. : 44-171-3294424

Fax. : 44-171-3294345

Telex : 813269, 813270

SWIFT : BEIIGB2L

Status : Subsidiary

Contact Persons:

- Executive Director: Akmaliudin / Edwin Lacy
- Treasury Manager: Gary Weston
- Business Development Manager: Gordon Turpin / James McCall
- Financial Control: Nono Soebandrio
- Senior Dealer: Ratmono Hadi

Products and Services:

- Trade Services
- Trade Financing (L/C Refinancing, Export Refinancing)
- Remittance Channeling
- Paying Agent / Reimbursing Agent
- Money Market / Forex Trading

PT Bank Mandiri (Persero) Grand Cayman

Grand Cayman

One Cayman House

North Church St., 2nd Floor

PO Box 10198 APO

Caymand Island, BWI

Tel. : 1-1345-9458891

Fax. : 1-1345-9458892

Telex / Answer back : 4206 / MDRCAY.CP

SWIFT : BEII KYKY

Status : Restricted Licensed Branch (RLB)

Contact Persons:

- General Manager: Vincent Nangoi
- Dealer: Darmawan Junaidi
- Business Development Manager: Henry Elcock
- Operation Manager: Mochtar Sidharta

Products and Services:

- Money Market / Forex Trading
- Trade Services
- Remittance Services
- Booking Office Services (no withholding tax)
- Trade Financing Channeling
- Paying Agent

PT Bank Mandiri (Persero) Cook Islands

International Banking - International Operation Division

Plaza Mandiri, 10th Floor

Jl. Jend. Gatot Subroto Kav. 36-38

Jakarta 12190

Indonesia

Tel. : 62-21 5275362, 5245928

Fax . : 62-21 5268205

Status : Restricted Licensed Branch (RLB)

Contact Person: Hariyanto Soemowinoto/Group Head

Products and Services:

- Booking Office Services (no withholding tax)

PT Bank Mandiri (Persero) Tokyo Branch *

Akasaka Twin Tower

Main Building 12th Floor

2-17-22 Akasaka Minato - Ku

Tokyo 107-0052, Japan

Tel. : 81-3-5562-9110

Fax. : 81-3-5562-9230

Telex / Answer back : 242-6621 / MDTYO J
242-6608 / MDTYO J
242-3030 / MDTFX J

SWIFT : BBUDJPJTAXXX

Reuters Dealing Code : MDTQ

Status : Full Branch

Contact Persons:

- General Manager: Muhadjir Sangidu
- Deputy General Manager: Frederik Kaligis
- Treasury Manager: Rudy Nasrulah
- Business Development Manager: Herman L. Hartawan

Products and Services:

- Trade Financing
- Trade Services
- Remittance Services
- Export Bill Collection Services
- Money Market / Forex Trading
- Paying Agent / Reimbursing Agent
- Short Term and Medium Term Loan

PT Bank Mandiri (Persero) Hong Kong Branch

7th Fl, Far East Finance Center

16 Harcourt Road

Hong Kong

Tel. : 852-2527-6611

Fax : 852-2529-8131

Telex/Answer back : 70663 MDRI HX

SWIFT : BBUDHKHH

Status : Restricted Licensed Branch (RLB)

Contact Persons:

- General Manager: Budi Utomo
- Deputy General Manager: Sumarna
- Treasury Manager: Ronggo Asmoro
- Business Development Manager: Wirawan Primuharko

Products and Services:

- Trade Financing (Import & Export Financing)
- Trade Services and other Fee- Based Services
- Remittance Services
- Money Market / Forex Trading
- Paying Agent

PT Bank Mandiri (Persero) Singapore Branch

Hitachi Tower

16 Collyer Quay # 28-00

Singapore 049318

Tel. : 65-532-0200

Fax. : 65-532-0206

Telex/Answer back : RS23697 / EXIMSQ

SWIFT : BEISGSG

Status : Offshore Branch

Contact Persons:

- General Manager: Iman Nugroho Soeko
- Deputy General Manager: Erwin Alimudin
- Treasury Manager: Eko Musono
- Business Development Manager: Jeffrey P. Moningka

Products and Services:

- Trade Financing (Import & Export Financing)
- Trade Services
- Remittance Services
- Money Market / Forex Trading
- Paying Agent / Reimbursing Agent

* In the process of closure.

SUBSIDIARY COMPANIES

Name of Company	Line of Business	Percentage of Ownership
• PT Asuransi Jiwa Staco Raharja	Insurance	100.00%
• PT Bank Syariah Mandiri	Banking	100.00%
• PT Bapindo Bumi Sekuritas	Securities	26.19%
• PT Bumi Daya Plaza	Property	93.33%
• PT Bumi Daya Sekuritas	Securities	65.00%
• PT EXIM SB Leasing	Leasing	50.00%
• PT EXIM Securities	Securities	18.18%
• PT Kustodian Sentral Efek Indonesia	Depository	16.00%
• PT Sarana Bersama Pembiayaan Indonesia	Finance	34.00%
• PT Usaha Gedung BDN	Property	99.00%

THIS ANNUAL REPORT HAS BEEN APPROVED BY MEMBERS OF THE BOARD OF COMMISSIONERS AND THE BOARD OF DIRECTORS OF BANK MANDIRI IN MAY 2000.

BINHADI
CHAIRMAN

SABANA KARTASASMITA
COMMISSIONER

MARKUS PARMADI
COMMISSIONER

SOEDARJONO
COMMISSIONER

ROBBY DJOHAN
PRESIDENT DIRECTOR

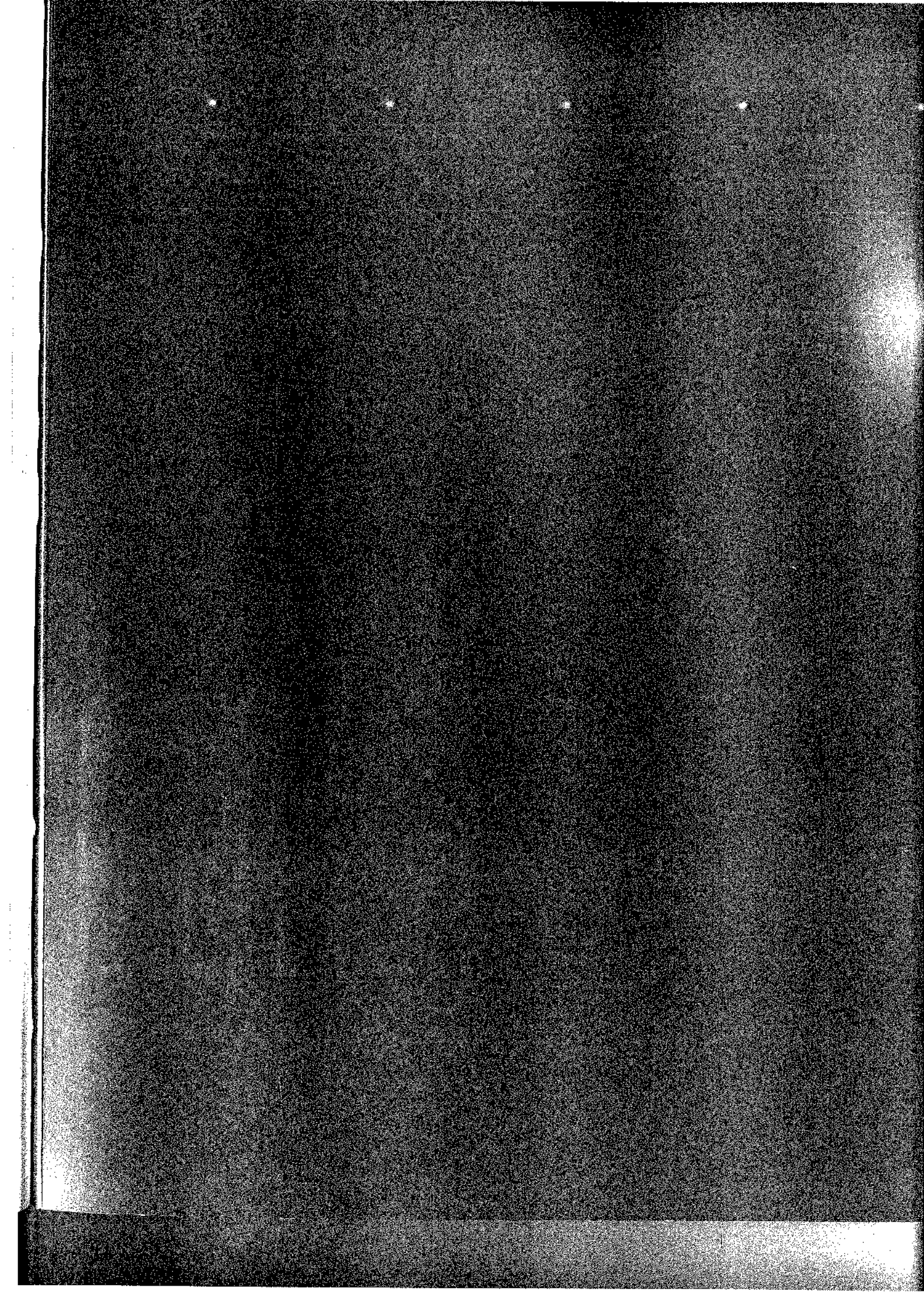
AGUS MARTOWARDOJO
MANAGING DIRECTOR

I WAYAN PUGEG
COMPLIANCE DIRECTOR

KODRADI
RISK MANAGEMENT & SUPPORT COORDINATOR

PETER B. STOK
CORPORATE BANKING & RESTRUCTURING COORDINATOR

EDWIN GERUNGAN
TREASURY & INTERNATIONAL COORDINATOR



PT BANK MANDIRI (PERSERO)
PLAZA MANDIRI
JL. JEND. GATOT SUBROTO, KAV. 36 - 38, JAKARTA 12190
TEL. (62-21) 526 5045, 526 5095 (HUNTING)
FAX. (62-21) 526 5008, 526 5017